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Corporate Governance Mechanisms and Prevention of Financial Fraud: A Review of Indian Corporate Scandals

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ABSTRACT

Corporate governance serves as the foundational pillar for ensuring transparency, accountability and ethical conduct in modern corporations. India's corporate landscape has been repeatedly scarred by high-profile financial frauds from the Harshad Mehta securities scam of 1992 to the Satyam Computer Services scandal of 2009, the Punjab National Bank (PNB)-Nirav Modi fraud of 2018, the Infrastructure Leasing and Financial Services (IL&FS) collapse of 2018 and the Yes Bank crisis of 2020 exposing persistent deficiencies in governance mechanisms, regulatory oversight and auditor independence. This review article critically examines corporate governance mechanisms including board composition, audit committee effectiveness, ownership structures, whistleblower policies and regulatory frameworks and evaluates their role in preventing financial fraud in the Indian corporate context. Drawing on agency theory, stewardship theory and the fraud triangle model, the review synthesises evidence from landmark Indian corporate scandals, statutory provisions under the Companies Act 2013, SEBI's Listing Obligations and Disclosure Requirements (LODR) Regulations 2015 and the Kotak Committee recommendations (2017). The review finds that while India's legislative architecture for fraud prevention has substantially strengthened, enforcement gaps, promoter concentration and auditor collusion continue to undermine governance effectiveness. The article concludes with policy recommendations to build a more resilient corporate governance ecosystem in India.

Keywords: Corporate Governance, Financial Fraud, Indian Corporate Scandals, Satyam, IL&FS, Yes Bank, Companies Act 2013, SEBI, Board Independence, Audit Committee, Agency Theory, Fraud Triangle

Introduction

Corporate governance encompasses the system of rules, practices and processes by which companies are directed and controlled. At its core, it delineates the relationships among the board of directors, shareholders, management, auditors and other stakeholders establishing the framework through which corporate objectives are set and performance is monitored (Usman, 2017). In emerging markets like India, effective governance is not merely a managerial aspiration but a critical safeguard against the misuse of corporate resources and investor funds.

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India's liberalisation in 1991 opened its markets to unprecedented capital inflows, but simultaneously exposed a governance vacuum that unscrupulous actors were quick to exploit. The Harshad Mehta securities scam of 1992 estimated at approximately ₹5,000 crore was the first watershed event that demonstrated how weak regulatory oversight, absent internal controls and poor market infrastructure could enable systematic financial fraud on a national scale (Janakiraman Committee Report, 1993). In the two decades that followed, despite iterative regulatory reforms, India witnessed a succession of major corporate scandals like Satyam (2009), Kingfisher Airlines (2012), PNB-Nirav Modi (2018), IL&FS (2018) and Yes Bank (2020) each revealing recurring governance failures.

The theoretical and practical significance of this review lies in its attempt to systematically map these failures against the corporate governance mechanisms that were or should have been operative at the time. Prior literature has examined individual scandals in isolation (Bhasin, 2013; Chakrabarti et al., 2008), but comprehensive reviews synthesising cross-case evidence of governance failure in the Indian context remain limited. This article addresses that gap by examining key governance mechanisms - board independence, audit committee oversight, ownership concentration, external audit quality and regulatory frameworks against the backdrop of India's most significant corporate fraud episodes.

Theoretical Framework

Understanding corporate governance failures requires engagement with multiple theoretical lenses. Three dominant frameworks-agency theory, stewardship theory and the fraud triangle modelare particularly instructive in the Indian context.

Agency Theory

Agency theory, rooted in the seminal work of Jensen and Meckling (1976), posits that a divergence of interests between principals (shareholders) and agents (managers) generates 'agency costs' that diminish firm value. Governance mechanisms-boards, audits and ownership incentivesare designed to align managerial behaviour with shareholder interests. In India, however, the agency problem takes a distinctive form: unlike the Anglo-Saxon model where conflict is primarily between dispersed shareholders and professional managers, the Indian variant predominantly involves conflicts between dominant promoter-shareholders and minority outside shareholders (Sarkar and Sarkar, 2011). This promoter concentration has been a recurring feature in Indian corporate scandals, where controlling shareholders exploit governance structures to extract private benefits at the expense of public investors.

Stewardship Theory

Stewardship theory, developed by Donaldson and Davis (1991), offers an alternative perspective: that managers are intrinsically motivated stewards of corporate resources who align their interests with the organisation's welfare without elaborate monitoring. Subramanian (2018) applied stewardship theory to family-owned business groups in India, finding that stewardship behaviour becomes problematic when conflated with self-dealing - a dynamic observable in several Indian family-controlled conglomerates. The IL&FS and Satyam scandals demonstrate that an unchecked culture of stewardship without accountability can facilitate rather than prevent financial misconduct.

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The Fraud Triangle Model

Donald Cressey's fraud triangle model (1953), popularised by Albrecht (2012) and extended by Wolfe and Hermanson's fraud diamond (2004), identifies three conditions converging to produce fraud: perceived pressure (incentives to commit fraud), perceived opportunity (weak controls or regulatory gaps) andrationalisation (the ability of perpetrators to justify fraudulent conduct). In the Satyam case, Raju's pressure arose from the need to maintain inflated share prices and service group company debts; opportunity was furnished by the failure of independent directors and auditors; and rationalisation was evidenced by Raju's own confession that he felt 'trapped' and could not find a way out. Applying the fraud triangle across Indian cases reveals that governance reforms must address all three vertices simultaneously.

Evolution Of Corporate Governance Regulation In India

Pre-Reform Era and the Harshad Mehta Wake-Up Call (Pre-1992)

Prior to liberalisation, India's corporate sector operated under the Companies Act 1956, which lacked robust provisions for fraud prevention and investor protection. The Bombay Stock Exchange operated in physical share-certificate mode with no electronic depository, no active securities regulator and minimal disclosure requirements. These structural deficiencies provided fertile ground for the Harshad Mehta scam of 1992, in which Mehta used fake Bank Receipts (BRs) to manipulate Ready Forward (RF) deals in the interbank market, funnelling an estimated ₹5,000 crore of banking system funds into the stock market (Janakiraman Committee Report, 1993; Mehta, Wikipedia). The scam's aftermath precipitated the statutory empowerment of SEBI under the Securities and Exchange Board of India Act, 1992 and the establishment of the National Stock Exchange (NSE) in 1993.

The Clause 49 Era (1999-2013)

Following the Confederation of Indian Industry's voluntary code on corporate governance (1998) and the Kumar Mangalam Birla Committee Report (1999), SEBI introduced Clause 49 of the Listing Agreement, which mandated minimum standards of board composition, audit committee formation and disclosure for listed companies. Key requirements included a minimum proportion of independent directors, mandatory audit committees and CEO/CFO certification of financial statements. However, Clause 49's effectiveness was circumscribed by the limited definition of 'independence,' weak enforcement mechanisms and the absence of criminal liability for governance failures - limitations that the Satyam scandal of 2009 would dramatically expose.

Companies Act 2013 and SEBI LODR Regulations 2015

The Companies Act 2013 represented a comprehensive legislative overhaul, introducing several provisions directly relevant to fraud prevention. Section 447 defined fraud as a substantive offence, prescribing imprisonment of up to ten years and fines not less than the amount involved in the fraud (ICSI, 2013). Section 177 mandated establishment of audit committees and vigil mechanisms (whistleblower policies) for listed companies and companies with bank borrowings exceeding ₹50 crore. Section 143 imposed a statutory duty

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on auditors to report suspected fraud to the Central Government. Section 211 granted statutory status to the Serious Fraud Investigation Office (SFIO), empowering it to investigate complex corporate frauds under Section 212 of the Act. SEBI's LODR Regulations 2015 complemented these provisions by specifying that audit committees must comprise at least two-thirds independent directors and that all members must be financially literate.

The Kotak Committee Reforms (2017-2018)

In June 2017, SEBI constituted a Committee on Corporate Governance under the chairmanship of Uday Kotak to enhance governance standards of listed companies. The Committee made 81 recommendations; SEBI accepted 40 without modifications and 15 with modifications, implementing them via SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2018/79 dated May 10, 2018 (SEBI, 2018). Key recommendations included: at least half the board to comprise independent directors; the mandatory presence of at least one independent woman director; separation of roles of Chairperson and MD/CEO for entities with more than 40% public shareholding; and enhanced oversight of related party transactions and subsidiaries (Kotak Committee Report, 2017).

Post-2018 Developments

Following the IL&FS collapse and Yes Bank crisis, regulators intensified scrutiny of the NBFC sector and private banks. The RBI tightened fit-and-proper criteria for bank promoters and senior executives, enhanced Asset Quality Review (AQR) processes and imposed prompt corrective action (PCA) frameworks. SEBI strengthened norms for credit rating agencies and mandated enhanced disclosures for related party transactions. SEBI's 2022-2025 reform agenda further addressed ESG reporting standards, independent director term limits and enhanced shareholder activism mechanisms (Pradhan, 2025). Nevertheless, scholars have continued to observe a persistent gap between the sophistication of India's regulatory architecture and the rigour of its enforcement.

Case Analyses Of Major Indian Corporate Scandals

The following case analyses examine India's most consequential corporate fraud episodes through the lens of governance failure, identifying the specific mechanisms that failed, the regulatory gaps exploited and the reforms that ensued.

The Harshasd Mehta Securities Scam (1992)

The Harshad Mehta scam estimated at approximately ₹5,000 crore in fraudulently diverted funds exposed fundamental weaknesses in India's banking oversight and capital market regulation. Mehta, a broker at the Bombay Stock Exchange, devised a scheme to exploit the interbank Ready Forward (RF) market by obtaining funds from banks through fictitious Bank Receipts (BRs) issued by conniving institutions. The funds were channelled into the stock market to artificially inflate select securities, driving the BSE Sensex to record highs between 1991 and 1992 (Wikipedia, Harshad Mehta; Cleartax, 2023).

The scam went undetected for approximately four years (1988-1992), primarily because the Indian capital market traded in physical shares, there was no electronic depository and SEBI lacked statutory powers. Internal audits within banks failed to reconcile interbank accounts and external regulatory oversight was fragmented. The Janakiraman Committee, constituted by the RBI, estimated that banks and investors suffered losses exceeding ₹4,000 crore as a direct result of the scam (SRCC, 2014). Post-scam reforms included SEBI's empowerment under the SEBI Act 1992, establishment of NSE (1993), introduction of the Depositories Act 1996 and tighter broker conduct rules.

The Satyam Computer Services Scandal (2009)

The Satyam Computer Services scandal - often described as 'India's Enron' stands as the most extensively studied corporate governance failure in the Indian context. On January 7, 2009, Chairman Ramalinga Raju confessed that the company had been falsifying accounts for several years, inflating cash balances by approximately ₹5,040 crore, overstating debtors and fabricating staff numbers (Bhasin, 2013; Mandloi, 2023). The revelation triggered an immediate 78% decline in Satyam's share price, leading to the company's takeover by Tech Mahindra.

Governance failures at Satyam were multiple and systemic: promoter family held a shareholding of merely 3.8% yet exercised unchallenged control; six non-executive directors failed to question the attempted acquisition of Maytas (family-controlled entities); and PricewaterhouseCoopers failed to detect fabricated accounts (SRCC, 2014; Reuters, 2008). Ironically, Satyam had received a Golden Peacock Award for corporate governance excellence just months before the confession demonstrating that formal compliance is an insufficient proxy for substantive governance quality. The Satyam scandal directly catalysed revisions to Clause 49, auditor rotation requirements under the Companies Act 2013 and multiple provisions of SEBI's LODR Regulations 2015.

Kingfisher Airlines and Vijay Mallya (2012)

The collapse of Kingfisher Airlines in 2012 illustrated governance risks associated with promoter dominance, diversification into non-core businesses and lender complicity. Vijay Mallya exercised excessive concentration of decision-making power with a board lacking sufficient independence to challenge promoter-driven decisions (Taxguru, 2023). The airline accumulated debts exceeding US$1 billion to a 17-bank consortium led by the State Bank of India, yet continued to incur losses from high operational costs and the ill-considered acquisition of Air Deccan.

Key governance violations included failure to hold Annual General Meetings as required under Section 96 of the Companies Act, failure to submit audited financial statements within statutory timeframes, non-payment of employee provident fund contributions and misappropriation of funds. Mallya was subsequently declared a 'wilful defaulter' under Indian banking regulations. The case highlighted systemic weaknesses in bank lending governance particularly the absence of independent loan appraisal processes and the readiness of state-owned banks to extend credit to politically connected promoters despite evident financial distress.

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Nirav Modi PNB Fraud (2018)

The PNB fraud, in which Nirav Modi and Mehul Choksi fraudulently obtained Letters of Undertaking (LoUs) worth approximately ₹14,000 crore over seven years, exposed catastrophic failures in internal controls, regulatory supervision and bank governance (The Hindu Business Line, 2018). The fraud exploited a disconnection between PNB's core banking system (CBS) and the SWIFT interbank messaging platform: unauthorised LoUs were issued through SWIFT without being recorded in the CBS, evading detection by internal auditors and even RBI inspection teams.

PNB's internal investigation indicted management, divisional officers, treasury departments and auditors for 'ignoring widespread violations, unethical practices and dereliction of responsibilities' (Times of India, 2018). The RBI characterised the fraud as 'a case of operational risk arising on account of delinquent behaviour by one or more employees of the bank and failure of internal controls' (Indian Express, 2018). Post-fraud reforms included mandatory integration of SWIFT with CBS, strengthened concurrent audit requirements and governance reforms in PSBs through the Bank Board Bureau (BBB).

IL&FS Collapse (2018)

The collapse of IL&FS in August 2018, when the conglomerate began defaulting on its debt obligations, sent shockwaves through India's financial system. IL&FS, once rated AAA, had accumulated total liabilities of approximately ₹94,000 crore across 348 group entities - a complexity deliberately leveraged to obscure the group's true financial position (Planify, 2025). SFIO, RBI and SEBI investigations revealed circular lending among subsidiaries, accounting practices overstating asset values and systematic misrepresentation of solvency (IDYC360, 2025; Sagepub, 2021).

The governance failures at IL&FS included a dysfunctional board comprising marquee institutional shareholders - LIC, SBI,Abu Dhabi Investment Authority that failed to exercise fiduciary oversight. Internal auditors had flagged concerns about non-transparent practices and dubious inter-company loans as early as 2012-2013, but these were not escalated or acted upon (Planify, 2025). The NCLT eventually allowed the government to supersede the IL&FS board in October 2018 and senior management including CEO Ramesh C. Bawa were arrested by the SFIO. The crisis triggered a broader NBFC liquidity crisis and prompted significant tightening of regulatory norms for NBFCs and credit rating agencies.

Yes Bank Crisis (2020)

Yes Bank's crisis culminating in RBI's intervention and reconstruction in March 2020 illustrated how a charismatic founder-CEO can use governance structures to facilitate personal enrichment at the cost of institutional integrity. CEO Rana Kapoor allegedly sanctioned large loans without adequate collateral to financially distressed entities such as DHFL, IL&FS, Jet Airways, CG Power andEssel Group, reportedly in exchange for personal kickbacks routed through family holding companies (Lawful Legal, 2025). In 2018-19, Yes Bank underreported NPAs by approximately ₹3,277 crore, masking the true deterioration of its loan book (IFSA Network, 2025).

The board lacked effective independence, frequently approving Kapoor's decisions without adequate scrutiny. An independent director resigned citing compromised corporate

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governance standards. RBI's Asset Quality Review revealed gross NPAs of approximately ₹17,134 crore - roughly double the reported figures leading to Kapoor's removal as CEO and the bank's eventual reconstruction under SBI leadership (Sagepub, 2021). By Q3 of FY 2019-20, Yes Bank had reported losses of ₹18,564 crore, eroding approximately 71% of its equity. The case highlighted the systemic risk posed by governance failures in systemically important financial institutions and the critical importance of RBI's supervisory mechanism.

Table 1: Comparative Summary of Major Indian Corporate Scandals

Scandal	Year	Estimated Value	Key Governance Failures	Key Regulatory Outcome
Harshad Mehta Scam	1992	~₹5,000 crore	Absent regulator, no electronic trading, failed bank controls	SEBI Act 1992, NSE 1993, Depositories Act 1996
Satyam Computer Services	2009	~₹7,800 crore (inflated assets)	Failed independent directors, auditor collusion, no whistleblower	Companies Act 2013, SEBI LODR 2015, auditor rotation
Kingfisher/Mallya	2012	>₹9,000 crore bank debt	Promoter dominance, compliant board, weak bank lending oversight	Wilful defaulter framework, bank lending norms revised
PNB -Nirav Modi	2018	~₹14,000 crore	SWIFT-CBS disconnect, internal audit failure	SWIFT-CBS integration, concurrent audit mandated
IL&FS Collapse	2018	~₹94,000 crore liabilities	Dysfunctional board, circular lending, opaque subsidiaries	NBFC norms tightened, SFIO prosecutions, rating reforms
Yes Bank Crisis	2020	~₹18,564 crore losses	CEO dominance, weak board, NPA underreporting	Bank Reconstruction Scheme, RBI supervisory overhaul

Corporate Governance Mechanisms: Effectiveness And Limitations

Board Composition and Independent Directors

Board independence is widely regarded as a cornerstone of effective corporate governance with independent directors serving as non-aligned overseers tasked with evaluating management decisions, reviewing internal audit reports and ensuring fair disclosure practices (IJRPR, 2025). India's regulatory framework progressively strengthened this requirement from the voluntary Birla Committee norms (1999) through Clause 49 of the Listing Agreement, to the Companies Act 2013 (Section 149) and SEBI LODR Regulations

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2015 (Regulation 17), requiring at least half the board to comprise independent directors where the chairperson is executive.

However, empirical evidence from Indian scandals consistently reveals a gap between the letter and spirit of board independence. A 2025 study published in IJARIIE found that independent directors at IL&FS, ICICI and Satyam 'failed to question management's assumptions, projections and financing strategies, thereby enabling an aggressive and opaque risk-taking culture to flourish without adequate challenge.' This evidence points to a structural phenomenon whereby independent directors develop social proximity with executive management, compromising their functional independence. The Kotak Committee (2017) sought to address this through enhanced board evaluation practices, disclosure of competency matrices, mandatory attendance requirements and the mandatory presence of an independent woman director.

Audit Committees

The audit committee serves as the primary internal oversight mechanism for financial reporting integrity. Under SEBI LODR Regulations 2015 (Regulation 18), listed entities must constitute an audit committee of at least three directors, of whom two-thirds must be independent directors and all members must be financially literate with at least one member possessing accounting or financial management expertise (SEBI, 2021). The audit committee's mandate includes reviewing financial statements, scrutinising related party transactions and overseeing the vigil mechanism.

The Satyam scandal starkly illustrated audit committee failure: the committee failed to detect fabricated cash balances and fictitious fixed deposit receipts over several years. A panel data study by Singh, K. (2026) of Indian listed firms from 2012 to 2022 found that audit committee independence and auditor quality were the most effective deterrents of fraud risk, while high promoter ownership significantly weakened the governance-fraud relationship. This finding has critical policy implications, suggesting that audit committee effectiveness is contingent on the broader ownership structure of the firm.

External Audit Quality and Auditor Independence

External auditors occupy a critical position in the corporate governance ecosystem, serving as an independent check on financial statement accuracy. In India, the failure of external auditors to detect or report fraud has been a consistent feature of major scandals. PricewaterhouseCoopers' failure to detect Satyam's fabricated accounts - despite elementary discrepancies later identified by investigators raised fundamental questions about audit quality and professional scepticism (SRCC, 2014).

The Companies Act 2013 introduced mandatory rotation of statutory auditors (Section 139), prohibition on auditors providing certain non-audit services to audit clients and a statutory obligation under Section 143(12) for auditors to report suspected fraud of ₹1 crore or more to the Central Government within prescribed timelines (SSRANA, 2024). A critical analysis by Pradhan (2025) observed that 'India's regulatory framework substantially aligns with OECD principles yet lags in enforcement pace, auditor independence standards and private enforcement mechanisms compared to developed markets.' Adoption of 'failure to prevent'

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clauses for auditors and introduction of performance-linked oversight mechanisms have been proposed as priority reforms.

Ownership Structure and Promoter Concentration

Concentrated promoter ownership is a defining feature of the Indian corporate landscape. While concentrated ownership can reduce the classic principal-agent problem, it simultaneously creates a secondary agency problem between controlling shareholders and minority investors. Singh (2026) noted that Indian listed firms found that 'high promoter ownership significantly weakens the governance-fraud relationship,' consistent with the theoretical prediction that controlling shareholders have both the incentive and ability to extract private benefits through related party transactions and financial misreporting. SEBI has progressively sought to address this through enhanced RPT disclosure requirements and the Kotak Committee's recommendation to separate the roles of chairperson and MD/CEO.

Whistleblower Mechanisms

Whistleblower policies represent a critical first line of defence against corporate fraud. Section 177(9) and (10) of the Companies Act 2013 mandate listed companies and specified entities to establish vigil mechanisms providing adequate safeguards against victimisation and offering direct access to the Audit Committee Chairman in exceptional cases (CACLUBINDIA, 2021). The Yes Bank crisis illustrated both the potential and limitations of whistleblower mechanisms: a whistleblower was reportedly aware of loan misclassification and CEO conflicts of interest, yet concerns were not acted upon sufficiently to prevent the bank's near-collapse (Sagepub, 2021). Whistleblower protections in India remain underutilised due to cultural factors, inadequate legal protections and the absence of financial incentives comparable to the U.S. SEC's Section 21F programme.

The Serious Fraud Investigation Office (SFIO)

The SFIO was established by government resolution in 2003 and granted statutory status under Section 211 of the Companies Act 2013, notified in July 2015. It investigates corporate frauds of serious and complex nature and coordinates with the Income Tax Department, CBI, Enforcement Directorate and SEBI (PIB, 2015; SFIO, 2024). While the SFIO has played an important investigative role arresting senior IL&FS management and pursuing Satyam prosecutions - its effectiveness is constrained: it can only initiate investigations after receiving a Central Government order, preventing proactive early detection. Scholars have called for SFIO to be granted greater autonomy, suomotu powers and resources comparable to the U.S. SEC's prosecutorial wing (IJRPR, 2025).

Technology-Enabled Governance and Early Warning Systems

Recognising the limitations of traditional oversight mechanisms, Indian regulators have increasingly turned to technology to strengthen fraud detection. The RBI introduced a Red Flag Account (RFA) and Early Warning System (EWS) for banks in May 2015, designed to flag potential fraudulent activity in loan accounts before losses crystallise (IJRAW, 2024). SEBI has deployed forensic analytics capabilities and data-driven surveillance tools to detect abnormal trading patterns, insider trading and financial misreporting. Despite these advances, the IL&FS case demonstrated that the absence of a consolidated group-level risk

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reporting system allowed circular lending across hundreds of subsidiaries to escape detection until irreversible - underscoring the need for integrated, real-time compliance intelligence systems (IDYC360, 2025).

Discussion And Policy Implications

The cross-case analysis in this review reveals a consistent pattern of governance failure in Indian corporate scandals. Across all six major episodes examined, the following systemic weaknesses can be identified:

- Board independence in form but not in substance with independent directors failing to exercise adversarial oversight.
- Audit committee ineffectiveness with members lacking expertise, information, or institutional incentives to scrutinise fraudulent financial statements.
- Auditor capture and collusion with external auditors failing to apply adequate professional scepticism.
- Promoter concentration and minority shareholder exploitation through related party transactions and fund diversion.
- Regulatory fragmentation and enforcement gaps with multiple agencies operating without coordination.
- Inadequate whistleblower infrastructure with cultural and legal barriers preventing timely disclosure.

These findings are consistent with international comparative evidence. India's governance framework aligns formally with OECD principles, but lags in enforcement pace, auditor independence standards and private litigation mechanisms compared to the US (post-Sarbanes-Oxley Act 2002) and the UK (post-Cadbury Report 1992) (Pradhan, 2025). Drawing on the fraud triangle model, effective governance reform must address all three vertices: reducing pressure (through realistic performance targets), reducing opportunity (through genuinely independent boards and robust enforcement) and reducing rationalisation (through cultural transformation and accountability norms).

Based on this analysis, the following policy recommendations emerge:

- Strengthen functional independence of independent directors through competency-based selection, enhanced liability provisions and performance evaluation frameworks rewarding active oversight.
- Mandate rotation of audit partners (not just audit firms) and introduce joint audits for systemically important companies to reduce auditor capture.
- Grant SFIO suo motu investigative powers and resources to enable proactive fraud detection rather than post-hoc investigation.
- Introduce financial incentives and enhanced legal protections for corporate whistleblowers, modelled on the SEC's Dodd-Frank Section 21F programme.
- Establish consolidated group-level regulatory supervision frameworks for complex conglomerates and NBFCs, enabling real-time monitoring of inter-entity transactions.
- Develop fast-track corporate fraud courts to accelerate adjudication under Sections 447 and 212 of the Companies Act, enhancing deterrent effect.

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- Promote institutional investor activism by creating frameworks that incentivise mutual funds, insurance companies and pension funds to exercise voting rights consistent with governance best practices.

Conclusion And Future Research Directions

This review examined the role of corporate governance mechanisms in preventing financial fraud, using major Indian corporate scandals as key examples. Although India has developed a strong regulatory framework through the Companies Act 2013, SEBI LODR Regulations 2015 and Kotak Committee reforms, scandals such as Satyam and Yes Bank show that formal compliance alone does not ensure effective governance.The main finding is that India faces a significant enforcement gap. While governance laws exist, their implementation is weakened by fragmented regulation, limited resources, weak whistleblowing culture and the influence of promoter-controlled corporations. Key mechanisms such as audit committee independence and external audit quality are often compromised in firms with high promoter concentration, which remains common among Indian listed companies.

Future research should focus on the long-term impact of governance reforms on fraud prevention, the behaviour and independence of directors, and comparisons between India and other emerging economies such as Brazil, South Korea and China. Further research should also explore the use of artificial intelligence and data analytics for real-time fraud detection.

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