



Institutional Reforms and Evolution of Governance in India: A Cross-Sectorial Analysis

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Abstract:

This article is an analysis of how institutional reforms and governance have been evolving in India since the 1970s based on a cross sectorial perspective. I am also concentrating on the way in which the institutions of the larger population and the corporate entities have modified their governance framework due to demands of greater accountability, emergence of new regulatory frameworks and performance related changes. In my analysis, I have divided it in five major areas which include financial and compliance audit, performance evaluation, stakeholder and community relations, legal and regulatory compliance, risk management and strategic decision difficult and human resources and capacity building. I adopted a qualitative method which involved secondary resources that helped me motive variation in governance styles in different sectors. Public institutions are particularly constitutionally accountable and effective in auditing but continue to fail to enforce and deal with bureaucracy whereas corporate entities are more serious in implementation and efficient and strategically dynamic despite having much less public accountability. All in all, the research identifies the enormous contribution of performance based financial control to redirecting the governance discourse and concludes that the sustainable change in India must involve cross sectors learning and integrative frameworks that combine accountability with efficiency.

Keyword: India Public Institutions, Governance Evolution, Institutional Reforms, Corporate Governance, Public Performance Audit.

Introduction

Now, there has been the institutional reforms, which is very big in Indian governance particularly after the restructuring of government, fiscal answers and corporate laws began to redefine accountability in all its forms (Bhattacharya, 2007; Mitra, 2011). In essence, it has been a push on the part of the people to have

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increased transparency, efficiency and quantifiable output by the public sector as well as businesses. In other words, cannot focus on one industry only, cross sector analysis is essential.

Constitutional structures place the public institutions under a system of constitutional accountability, rule of law and accordance to the welfare of the people (Austin, 1999). The initiatives of budgeting, auditing, decentralization and oversight reforms have been implemented over time in a bid to promote transparency and service delivery (Kapur and Mehta, 2018). Meanwhile, the preceding massive governance changes have occurred through more stringent regulations, disclosure standards, statutory audit reforms and investor protection in corporate organization (Khanna, 2009; Singh, 2019). These reforms are connected to the economic liberalization and the transition to the market-based governance.

Although the mandates and functions of the public bodies and companies are different, they are all pressured by the need to be accountable, compliant, avoid risks and have their performance effectiveness evaluated. The form, execution and intensity of these reforms however, do vary considerably amongst the two sectors. Evaluation of such reforms paths would provide handy data on the convergence and divergence points of the sectors and the asymmetries.

This article continues to excavate the institutional reforms and the evolution of governance in India in a cross sectorial approach. I resolve the changes in the finance and compliance audits, performance check, stakeholder accountability, legal compliance, risk managements and capacity building. Placing every area of governance in the larger paradigm of reforms, I would demonstrate that it is not the industry only process of governance development but a universal and dynamic one that requires inter-sector learning and a combination of governorly structures to achieve sustainability of changes.

Here, I am initiating a qualitative and analytical approach of this paper and getting into the analysis in terms of institutional reforms and institutional governance in both the public and private sector in India. The principal objectives are to determine how reforms have transformed the ways of governance, accountability and performance evaluation in various arenas. I am not using a zoom in a specific area but with a cross sectorial lens to indicate where governance reforms is going or going elsewhere.

I am narrowing down on the period after 1970s this period is a turning point in the institutional change of the India. At the time, we had witnessed mega changes: a reformation of the administration, decentralization, a financial overhaul, and stricter corporate regulations (Mathew, 2011; Rao, 2021). Then



there was economic liberalization and this accelerated the transformation of governance indeed and drove the direction at the market-based regulations and performances driven models (Singh, 2019).

I would divide my analysis in five main areas of governance namely financial and compliance audit, performance evaluation, accountability to stakeholders, legal regulatory compliance and risk governance and strategic decision making, along with building human resources capacity. These are more or less the brick leaders in which accountability and good governance tend to operate in a real world (Kapur and Mehta, 2018).

The method wise, I am narrowing down on secondary data, mind it on government reports, audit documents, policy reviews and scholarly articles. An interpretative lens can allow me to gain insight into how institution of governance without necessarily used here is a comparative institutional analysis, which assists me in visualizing the methods in which governance reforms ultimately alter across sectors and the rules that each institution ought to be doing that condition that state of accountability (Bhattacharya, 2007).

Combining the structural, functional and evaluation aspect of the governance reform, this arrangement would provide a fairly comprehensive profile of what has happened to institutions in India. It further identifies inequalities and loopholes in reform that propagate into the bigger argument of who is responsible and what level of performance they achieve.

Financial, Compliance, and Performance Reform in Institutional Governance

As Ericsson covered in our recent civics' module, one of the most significant components of the process of institutional change in India has been the financial governance reforms. Since the 1970s, government agencies and even business organisations have redefined their organisation and processes in an attempt to enhance accountability, transparency and performance controls. There were previous mechanisms, but they were reformed and provided new power to institutions and enhanced evaluation. However, so is the manner in which changes are executed in different sectors as each has its mandate and accountability arrangement (Bhattacharya, 2007; Austin, 1999).

At the governmental level, I discovered that the financial management is enshrined in the constitution and associated with the democratic responsibility. Audit mechanisms have been established to ensure that the public money is only spent as mandated by the law and the budgets (Bhattacharya, 2007). The compliance audits brought an additional level where they ensure that financial regulations, purchase standards and the bureaucracy work accordingly. These audits played an import role in the past where they were essential in



guarding resources of the people and preventing fiscal anomalies and their results were tabled to legislatures and hence linking finance to parliamentary control (Austin, 1999).

Gradually, due to the classroom discussion, legality and compliance by themselves do not insure that institutions are effective. Money might be used legally and yet not still attain its aim with regard to economy or social need. The realization led to a major change toward performance audit where it shifted the focus to whether expenditure was producing anticipated policy returns and value to citizen (Rao, 2012). In addition to rule compliance, performance audits evaluate economy, efficiency and effectiveness.

The shift to performance accountability was enhanced by fiscal reforms that brought about outcome focused budgeting. The conventional budgets were more concerned about how much of all the money was spent, whereas newer models call on ministries to record that actual outputs and the results of those spending. This change in outlay based to outcome-based assessment will make fiscal management contingent on actual service provision and development influence (World Bank, 2020). The outcome budgeting therefore compels the institutions to demonstrate the outcome rather than numbers.

The developments introduced notably to the depth of the evaluation in the financial governance of the public sector. Legal, compliance and performance audits work together to establish a complex accountability structure that bridges the connection between finance and developmental governance. The enforcement loopholes still exist, however; audit recommendations may require discussion at the legislative level, follow ups in the administration and political will, which may slow down the implementation (Bhattacharya, 2007).

The corporate organisations took a different route which is guided by the expansion of the market, the protection of investors and the modernisation of the regulations. The management of corporate finances is informed by the statutory provisions on company practices, reporting and disclosure (Khanna, 2009). Audits in this case are aimed at having balance sheets, profit statements and disclosure depicting a real picture of performance. Accountability on a board level is institutionalised by independent auditors and audit committees.

Compliance reform renewed corporate governance with a focus on compliance with the statutory regulation, securities regulation, tax regulations and disclosure standards (Singh, 2019). Greater transparency was guaranteed by enhanced regulatory supervision and monitoring. This is unlike in the case of the public sector where the enforcement may be slow, corporate compliance systems are time based and



penalty based; noncompliance may result in sanctions, negativity publicity or regulatory measures, which enhance discipline (Chakrabarti et al., 2008).

The achievements of these developments notwithstanding, corporate performance assessment is mostly internal and finance based and they revolve around profitability, productivity, shareholder value and managerial effectiveness. It has a strong internal performance monitoring which seldom considers external responsibility of social or developmental performance as it happens in the case of public financial governance.

This fragmentation brings out one of the dimensions of institutional change. Public institutions do not just administer governance through compliance but instil performance accountability which comes with developmental goals. Corporations, in their turn, augment the enforcement and disclosure, though the evaluative scope they offer is rather limited and focused at financial stakeholders. The disparity is an indicator of the dissimilar circumstances of accountability, between the democratic governance in the public sector and the market accountability in the corporate sector.

Reform wise each industry has profitable advantages. The mass system provides an overall evaluation platforms with performance audits and outcome-based budgets, which associates the expenditure with the changes to the society. Corporate governance is the best in enforcement and internal control and compliance responsiveness to foster timely corrective action. Nevertheless, the two systems have their weaknesses too: public audits are usually plagued with delays in enforcement and corporate systems might not have a systematic review of wider institutional impacts other than financial performance.

My research projects require an insight into these asymmetries. I am part of the discussion on how to add performance-based assessment to corporate governance and enhance the effectiveness of enforcement in government finances to establish a more equal accountability regime. In cross sector learning, governance systems do not develop in isolation but based on an adaptive institutional exchange.

Overall financial, compliance and financial performance reform have transformed the governance structure in all industries, expanding the scope of accountability beyond the domain of expenditure monitoring to assessing outcomes. These trends underscore the increasing appreciation of the fact that successful administration needs more than financial sanctity and adherence to procedures but performance and institutional contribution in an observable manner.



Stakeholder Engagement and Regulatory Accountability Reforms

Institutional reform in India in the past ten years has completely reversed the manner in which stakeholder engagement and regulatory accountability are conducted, whether by a government agency or a business enterprise. The leadership model has been altered due to the change of closed and greater power-oriented models and other more participatory, open and responsible frameworks. The bigger and more complex these systems have grown, the more legitimacy of decisions based on their ability to respond to those stakeholders who have become victims of policy and organisational implications (Mathew, 2011; Government of India, 2005).

The reforms in the case of public institutions are obviously connected with democratic deepening and decentralisation. In the past governments treated the citizen as a passive consumer of the welfare system as opposed to an active citizen. The late 20th century trends went out to engender that relationship to be two way which instilled participatory accountability and citizen engagement tools that currently define local governance (Mathew, 2011). The reforms have brought about decentralisation, which has enabled the local bodies, allowed communities to plan and monitor the development initiatives and it has also opened up the entire process

The legislation of transparency and administrative disclosure systems increased stakeholder access even more. The freedom offered to citizen to demand information on what the public authorities have to offer has changed the oversight level, reducing the informational asymmetry that had kept the citizens unaware (Government of India, 2005). These reforms have caused the administrators to be accountable and they have provided the civil society with more means of questioning the way things were done within the institutions. The government agencies have been forced to substantiate their actions, expose procedures and respond to complaints with formal systems of redressal.

Public governance has also made regulatory accountability changes through oversight institutions and watchdogs to ensure that good practices are followed and the quality of services is excellent (Rao, 2021). Such reforms were aimed at creating confidence, imposing control measures over the discretionary authority and prevent the dangers of corruption. In reality, however this is not the case as implementation is sometimes intimidated by capacity, the administrative requirements may be baffling and responsiveness may not be equitably spread (Bhattacharya, 2007).



Corporate governance reform has experienced a similar change; however, the drivers are different. Old model all revolved around shareholders, financial disclosure and investor protection. With time, there is an expansion of the concept of corporate accountability to workers, consumers, suppliers, local communities and the environment due to regulatory changes and international standards (OECD, 2015). This paradigm shift recognizes the fact that profitability and corporate viability of a company are pegged not only on profits but also other aspects.

The accountability of corporate regulation was enhanced by the increase in the disclosure requirements, reporting standards and governance codes which entail accountability in board transparency and ethical behaviour (Khanna, 2009). These standards make accountability institutional through audit committees, independent directors and mandatory reporting frameworks. It is imposed by regulators as it ensures that firms do not exceed the limits established by the statute and maintain standards of good governance (Singh, 2019)

CSR activities also incorporated stakeholder involvement in governance. Businesses are currently assumed to incorporate social welfare in business strategies whereby business outcomes are attached to the growth of the community (Chakrabarti et al., 2008). The sustainability reports and the disclosed CSR reports are the avenues through which the businesses can express accountability to a wider audience.

Stakeholder governance in true sense is different between the sectors despite such developments. Government bodies have implemented participatory models of inclusion that are founded on welfare and democratic accountability. These two aspects of universal service delivery and responsiveness to the needs of the citizen give the public sector its legitimacy. However, scarcity, bureaucratic time wasting and capacity limitations tend to impair the level of efficiency in responding to the request of the stakeholders.

Corporate organisations, in their turn, have established more formalised models of interaction which run through regulatory compliance, reputation issues and strategic sustainable goals. Their stakeholder interaction is arranged, quantifiable and linked to performance indicators. But it is still partisan and based on corporate interests instead of its across-the-board requirements. Corporate responsiveness is typically measured against regulation and market expectation and not the involvement of the democracy.

These disparities point to a more general imbalance in the development of stakeholder governance. Civil institution is more inclusive, but less effective in their implementation, and corporations have more responsiveness procedures analogous to smaller areas of interaction. The comparative analysis brings into



underline that oversight in India has been widened in various sectors due to the implementation of the reforms in governance yet the rationale behind both the public and the private reforms remains differentiated by the directives of the constitution and the market forces.

The reformist trend also indicates that there is a declining distance among the private and the public sector. To make stakeholder engagement more responsive to a particular management, public governance is becoming increasingly reliant on managerial tools such as feedback systems, monitoring dashboards and performance benchmarks. Corporate governance, in its turn, takes on sustainability coverage, ethical theories and social responsibility to expand its accountability narrative. These actions indicate a more unified governance environment in which legitimacy is based on transparency, engagement and provable responsibility.

It is thus important to understand the way in which the stakeholder and regulatory accountability reforms are happening in the sectors in order to ascertain the progression of governance in India. The models of good governance should strike a balance between inclusion, responsiveness, transparency, enforceability and participation and institutional capacity. Cross- sectorial learning provides an opportunity to enhance legitimacy and increase institutional trust in the democratic and corporate arena.

Legal Compliance, Risk Governance, and Institutional Capacity Reforms

Thus, as we plunge into the development of how the governance structure of India has been taking form the legislation compliance reforms appear to be the back bone of all the class room arguments. I have discovered that the constitution, different laws and administrative rules provide the power to the public institutions. The former is that they are expected to be open and maintain the public on the process as it is noted by Austin (1999). However, it is not that smooth sailing because bureaucracy and layers of checks may make this come to a crawl (Kapur and Mehta, 2018).

Compliance within a corporation is a bit more market based. Companies have to maintain the fiduciary obligation and safeguard the interests of shareholders by enforcing more stringent statutes and by being compelled to make disclosures (Khanna, 2009; Singh, 2019). As it is observed by the OECD (2015), the concentration of the corporate world is accelerated and sanctions are more transparent and it also seems that these factors drive companies towards greater disciplinarily.

Another interesting perspective is risk governance. Big organisations that experienced procedural vigilance in the past are concerned with the element of stability (Bhattacharya, 2007). Nevertheless, new changes are



compelling to do more strategic planning and performance reviews to achieve better outcomes (Rao, 2021). Nevertheless, their freedom is checked by politics, budget constraints and bureaucracies.

On the contrary, competition and market volatility have influenced the corporate risk governance. Professional organisations institutionalise the process of risk assessment, integrate compliance and strategy and become fairly adept at identifying the operational threats, financial threats and regulatory threats (Singh, 2019). That provides a resilience yet again concentrates more on the market risk as opposed to broader social issues.

The institutional capacity is also important. The reforms of the administration drive merit-based recruitment, professional training and Disney to enhance the quality of administrative expertise (Kapur and Mehta, 2018). Nevertheless, real promotion may be inhibited through rigorous promotion and insufficient incentives.

Corporate capacity reforms are focused on leadership, constant performance management and incessant upgrade of skills (OECD, 2015). This has increased efficiency but may present pressure that challenges ethical choices.

All in all, it appears to me that there are differences and overlaps in the way compliance, risk and capacity reforms transpire. The legal frameworks of public institution are solid through they are inflexible at times, whereas corporation are more flexible and pay attention to financial accountability. Such differences can be used to understand the general direction of the change in governance in India.

Cross-Sectorial Governance Convergence and Reforms Lessons

Much of my research points out that the reforms in India are not merely concerned with the transformation of gears in the individual sector but more of similar themes in the public and private domains (Rao, 2021). The concept is that the two segments through with varying regulations are embracing the norms of similarity, such as transparency, accountability and performance orientation.

We can clearly see an overlap in audit and compliance. Budgeting is connected to the development objectives and performance audits had outcome-based spending checks are used by the public bodies as the means to increase financial accountability (World Bank, 2020). There are common statutory audit procedures in companies and regulatory controls that ensure that investors are well informed (Khanna, 2009). Although the focus may be varied, that are all falling in the same desert of organised responsibility.



Convergence is also observed in stakeholder governance. Civic engagement, participatory accountability and transparency contributed to the democratic deepening in the public domain (Mathew, 2011). A transformation was experienced at corporate layer, where pure shareholder concern gave way to a wider scope of stakeholders, which encompassed the employees and communities (OECD, 2015). That is what informs me that the legitimacy of governance depends on the ability to respond to expectations of more than a single group of people

Another intersection occurs between risk governance and strategic planning. Monitoring systems and evaluation procedures are being established by the public institutions to take advantage of the policy implementation (Rao, 2021). Companies are integrating the compliance risk, regulatory risk and operational risk into their strategic decision making (Singh, 2019). Collectively, these attest to a common shift to anticipatory form of governance capable of managing any complex socio-economic reality

Nevertheless, the asymmetry in this case is obvious. A broader accountability footprint of the public sector such as the performance audits and citizen engagement exists, yet it is difficulties in enforcement and bureaucracies slow it down (Bhattacharya, 2007). Corporate governance is more effectively enforced and compliantly adhered to but falls under the narrower scope of evaluation, which is very dependent on financial performance (Chakrabarti et al., 2008).

This informs us that some degree of cross sector learning might prove useful. The corporate world may sell time constrained compliance practices and in house surveillance methods to the public institutions. On the other hand, the companies may expand their consideration perspective beyond shareholder good.

Generally, the process of governance evolution in India is not so much about a fusion of society between the public and the private, but rather, a refinance in means of institutions. Creating new hybrid forms of governance which are democratic, managerial and efficient and uniting performance checks and enforcement may become one of the bright prospects of the future reforms.

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