INDIAN JOURNAL OF INTERDISCIPLINARY RESEARCH AND POLICY

VOLUME-1 ISSUE-1 (JULY-SEPT 2026)

THE EVOLUTION AND BASIC STRUCTURE OF COMPANY LAW IN INDIA:

A Critical Legal Analysis

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Abstract

The evolution of company law in India reflects the nation's progress from a colonial economy to a modern, globally integrated corporate sector. Beginning with the Joint Stock Companies Act of 1850 and progressing through successive legislative developments, including the Companies Acts of 1913 and 1956, company law in India has continuously evolved to address the changing needs of trade, commerce and corporate governance. The Companies Act, 2013 marked a remarkable and significant milestone by introducing a comprehensive legal framework emphasizing transparency, accountability, investor protection and sustainable corporate governance. This study critically examines the historical development and basic structure of company law in India with particular emphasis on the foundational principles governing corporate entities. It explores the legal concepts of incorporation, separate legal personality, limited liability, perpetual succession, corporate management and the constitutional documents of a company the Memorandum of Association and Articles of Association. The research adopts a doctrinal methodology by analysing legal provisions, judicial decisions, committee reports and relevant literature to evaluate the effectiveness of the existing legal framework. The paper further examines contemporary challenges arising from digital governance, regulatory compliance, environmental, social and governance (ESG) obligations and evolving corporate accountability standards. It argues that although the Companies Act, 2013 has significantly strengthened corporate regulation, continuous legislative reforms are necessary to respond to emerging business practices, technological advancements and international standards. The study concludes that understanding of the evolution and structural framework of company law

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is fundamental to promoting responsible corporate governance, protecting stakeholder interests and ensuring sustainable economic development in India.

Keywords: Corporate Personality, Liability, Directors, Shareholders, Corporate Governance.

1. Introduction

Company law is the cornerstone of commercial and corporate regulation by establishing the legal framework within which companies are incorporated, managed and dissolved. It governs the rights, duties and responsibilities of companies, directors, shareholders, creditors and other stakeholders while ensuring transparency, accountability and business practices. In India, company law has sustained significant changes over the years in response to economic development, globalization, technological advancements and the increasing complexity of business activities. The evolution of company law reflects the nation's continuous effort to create a balanced legal system that promotes economic growth while safeguarding the interests of investors, employees, creditors and the public[2].

The history of corporate law in India can be traced to the colonial period when British commercial laws were introduced to regulate joint-stock companies. The Joint Stock Companies Act, 1850 marked the beginning of statutory regulation in India by recognizing the concept of incorporation. Subsequent enactments, including the Companies Act, 1913, consolidated and modernized corporate regulation based on English company law principles. After independence, the Companies Act, 1956 emerged as a comprehensive legislation governing the formation, administration and winding up of companies for more than five decades. With the liberalization of the economy in India and the expansion of global business activities, the need for a modern corporate legal framework became increasingly evident, resulting in the enactment of the Companies Act, 2013[3].

The Companies Act, 2013 represents a significant move in corporate legislation in India by introducing modern principles of corporate governance, enhanced disclosure requirements, independent directors, corporate social responsibility, class action suits, stricter audit regulation and stronger protection for minority shareholders. The Act seeks to align corporate law in India with international best practices while encouraging responsible business activities and sustainable

[2] Corporate Law: Formation, Governance & Types of Companies in India, https://taxguru.in/company-law/corporate-law-formation-governance-types-companies-india.html (last visited July 17, 2026).

[3] (PDF) Corporate Law in Colonial India: Rise and Demise of the Managing Agency System, https://www.researchgate.net/publication/314571089_Corporate_Law_in_Colonial_India_Rise_and_Demise_of_the_Managing_Agency_System (last visited July 17, 2026).

economic development. It also recognizes the growing importance of transparency, accountability and stakeholder participation in corporate decision-making[4].

The basic structure of corporate law is established on several well-established legal principles, including incorporation, separate legal personality, limited liability, perpetual succession, transferability of shares and centralized management through a board of directors. These principles distinguish a company from other forms of business organizations and provide legal certainty for commercial transactions. The constitutional documents of a company, namely the Memorandum of Association and the Articles of Association, further define its objectives, powers and internal governance structure[5].

This research critically examines the evolution and basic structure of company law in India by analysing its historical development, statutory framework and foundational legal principles. It also evaluates the effectiveness of the existing legal regime in addressing contemporary corporate challenges and identifies areas requiring further legal and policy reforms. The study seeks to contribute to a better understanding of the role of corporate law in promoting good corporate governance, protecting stakeholder interests and economic growth in India.

2. Review of Literature

The evolution and structure of corporate law in India have been extensively examined by legal scholars, jurists, and expert committees, with particular emphasis on the principles of incorporation, corporate personality, corporate governance and regulatory reforms. Existing literature demonstrates that company law has evolved from a narrow framework regulating business entities into a comprehensive legal system aimed at ensuring corporate accountability, protecting stakeholder interests and promoting sustainable economic development.

Rakesh Bhargava (Chief Editor) and CA. Srinivasan Anand G., V.S.(Editors)[6], in their work on the Companies Act, 2013, examine the transition from the Companies Act, 1956 to the modern corporate legal framework. They highlight enhanced corporate governance, strong compliance requirements, increased directors' accountability and the integration of SEBI regulations and accounting standards in corporate regulation.

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[4] (PDF) Companies Act and Corporate Governance in India: Quo Vadis? RESEARCHGATE (2026), https://www.researchgate.net/publication/288888825_Companies_Act_and_Corporate_Governance_in_India_Quo_Vadis.

[5] Khushal Suryawnshi, Corporate Personality: An Analysis under Companies Act, 1956, 4 RESEARCH JOURNAL OF HUMANITIES AND SOCIAL SCIENCES 140 (2013).

[6] Bhargava, Rakesh, Anand G., CA. Srinivasan, & V.S. (Eds.). (2014) Taxmann's Company Law, Volume 4 [Sections 149-269, p no. 4409-5960].

Tejpal Sheth[7], in his book, provides an overview of the Companies Act, 2013 focusing on the types and characteristics of companies, incorporation, the Memorandum and Articles of Association, share capital, transfer of shares and the management and powers of the Board of Directors. It provides a comprehensive understanding of the fundamental principles of company law.

S.C. Tripathi[8], in his book, examines the legal framework of the Companies Act, 2013 focusing on company formation, management and corporate governance. The work discusses key features such as One Person Companies (OPCs), independent and women directors, corporate social responsibility and the roles of the National Company Law Tribunal (NCLT) and the Serious Fraud Investigation Office (SFIO) in ensuring corporate accountability.

N.V. Paranjape[9], in his book, examines the evolution of company law in India from the Companies Act, 1956 to the Companies Act, 2013. This book highlights key reforms, including enhanced corporate accountability, investor protection, corporate social responsibility (CSR) and the growing importance of e-governance in modern corporate regulation.

Sanjay Bhayana[10], in his book, examines corporate governance practices in India, highlighting the impact of globalization on corporate management. This book discusses the evolution of corporate governance and emphasizes reforms aimed at enhancing corporate accountability, transparency, and ethical business practices.

Avtar Singh[11], in Company Law, explains the fundamental principles governing corporate entities, including incorporation, separate legal personality, limited liability and perpetual succession. The author highlights that these principles form the legal identity of a company and distinguish it from other business organizations. It provides a detailed interpretation of the Companies Act, 2013 and discusses important judicial decisions that have shaped company law in India.

A. Ramaiya[12], in Guide to the Companies Act, provides an authoritative commentary on the statutory provisions governing companies in India. The author examines the legislative intent behind the Companies Act, 2013 and analyses its provisions relating to incorporation, management, directors' duties, shareholder rights, corporate governance, and regulatory compliance. The commentary is widely regarded as a comprehensive reference for understanding the practical operation of company law.

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7 Tejpal Sheth (2017) Business Law, (3rd ed.). Pearson Education.
8 Tripathi, S.C (2023) New Company Law, (2nd ed.) (rep.), Central Law Publications.
9 Paranjape, N.V. (2022) Company Law, (11th ed.). Central Law Agency.
10 Sanjay Bhayana (2007) Corporate Governance Practices in India, Regal Publications.
11 Raja, Siddharth, Chatur, Dharmendra & Mishra, Saranya. (2025). Avtar Singh's Company Law (18th ed.). Eastern Book Company.
12 Ramaiya, A. (2020). Guide to the Companies Act (19th ed., Vols. 1–6). LexisNexis.

L.C.B. Gower[13], in Principles of Modern Company Law, traces the historical development of company law and examines the evolution of corporate legal principles in common law jurisdictions. Although the work primarily focuses on English company law, its discussion of separate legal personality, limited liability and corporate governance has significantly influenced the development of company law in India.

Palmer's Company Law[14] provides a comprehensive analysis of the legal framework governing companies and discusses the evolution of corporate regulation through judicial decisions and legislative reforms. This book highlights the importance of balancing commercial freedom with effective regulatory oversight to maintain investor confidence and corporate accountability.

Judicial decisions have also played a vital role in shaping the basic structure of company law. The significant decision in Salomon v. A. Salomon & Co. Ltd.[15] established the doctrine of separate legal personality, which remains the basic foundation of modern company law. The judiciary has consistently relied upon this principle while also recognizing exceptions through the doctrine of lifting or piercing the corporate veil to prevent fraud, tax evasion and misuse of the corporate form. Daimler Co. Ltd. v. Continental Tyre & Rubber Co.[16] In this case, the court established that the corporate veil may be lifted during wartime to determine whether a company is controlled by enemy aliens. Juggilal Kamlapat v. Commissioner of Income Tax (1969) 73 ITR 702 (SC)[17], the Supreme Court held that the corporate veil will be pierced if the corporate form is used to evade taxes or perpetrate fraud upon revenue authorities. State of UP v. Renusagar Power Co.[18], the court held that separate corporate identity can be disregarded when holding and subsidiary companies operate as a single economic entity, particularly in matters involving public interest and power tariffs. Kapila Hingorani v. State of Bihar[19], in this case, the Supreme Court reiterated that the corporate veil can be lifted in cases involving human rights violations or non-payment of wages by public sector undertakings.

Several expert committees, including the J.J. Irani Committee (2005), recommended comprehensive reforms to modernise corporate legal framework in India. Many of its recommendations were incorporated into the Companies Act, 2013 particularly in relation to corporate governance,

[13] Davies, Paul L., Worthington, Sarah & Hare, Christopher. (2024). Gower Principles of Modern Company Law (11th ed., South Asian ed.). Sweet & Maxwell.
[14] Morse, Geoffrey. (2026). Palmer's Company Law. Sweet & Maxwell.
[15] Salomon v. A. Salomon & Co. Ltd [1897] AC 22.
[16] Daimler Co. Ltd. v. Continental Tyre & Rubber Co. [1916] 2 AC 307.
[17] Juggilal Kamlapat v. Commissioner of Income Tax (1969) 73 ITR 702 (SC).
[18] State of UP v. Renusagar Power Co. (1988) 4 SCC 59.
[19] Kapila Hingorani v. State of Bihar (2003) 6 SCC 1.

independent directors, shareholder protection, disclosure requirements and digital compliance, environmental, social and governance (ESG) obligations, and corporate social responsibility.

Despite the extensive literature on company law in India, most studies concentrate on specific aspects such as corporate governance, directors' duties and corporate social responsibility. Comparatively most of the studies provide a comprehensive analysis integrating the historical evolution of company law with its foundational legal structure under the Companies Act, 2013. This study seeks to bridge this gap by critically examining both the historical development and the structural framework of company law in India while assessing its adequacy in addressing contemporary corporate and regulatory challenges.

3. Research Methodology

This study adopts a doctrinal research methodology, focusing on the analysis of legal principles governing the evolution and basic structure of company law in India. The research is based on secondary sources, including the Companies Act, 2013, earlier company legislations, judicial decisions, committee reports, textbooks, legal commentaries, journal articles and publications of the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI).

The study employs descriptive and analytical methods to examine the historical development of company law, its fundamental legal principles and the effectiveness of the existing legal framework. The research is limited to the Indian legal system, with a particular focus on the Companies Act, 2013 and aims to critically evaluate its role in promoting good corporate governance and corporate regulation.

4. Historical Evolution of Company Law in India

4.1. Pre-Independence Legislation

The history of company law in India began during the British colonial period when business activities expanded rapidly due to industrialisation and international trade. The Joint Stock Companies Act, 1850 was the first legislation governing the incorporation of companies in India and introduced the concept of registration. It was followed by the Joint Stock Companies Act, 1857, which incorporated the principle of limited liability, encouraging investors to participate in business ventures without risking their entire personal assets. Subsequently, the Companies Act, 1866 and the Companies Act, 1882 consolidated earlier laws and improved corporate regulation. The Indian Companies Act, 1913, based on the English Companies (Consolidation) Act, 1908, became the first comprehensive legislation governing the incorporation, management and winding up of companies in India. It remained the principal company law until after Independence[20].

4.2. Post-Independence Period

Following Independence in 1947, India adopted a planned economic model that required a stronger legal framework for regulating corporate entities. The Government recognized the need to modernize company law to protect investors, improve corporate governance and support industrial development. Several expert committees examined deficiencies in the existing legal framework and recommended comprehensive reforms. The Companies Act, 1956, which replaced the 1913 Act, established a more systematic legal regime for corporate regulation. Over the years, the Act was amended multiple times to address changing business practices, globalization, technological advancements and the liberalization of the economy in India[21].

4.3. Companies Act, 1956

The Companies Act, 1956 served as the primary legislation governing companies in India for more than five decades. Based on the recommendations of the Bhabha Committee, the Act provided a comprehensive legal framework for the incorporation, management, securities, amalgamation and winding up of companies. It introduced detailed provisions relating to share capital, directors, company meetings, accounts, audits and protection of shareholders. The Act significantly strengthened corporate regulation and contributed to the continued growth of the corporate sector. However, with increasing globalization, technological developments and complex business structures, several provisions became outdated, creating the need for a modern corporate law[22].

4.4. Companies Act, 2013

The Companies Act, 2013 replaced the Companies Act, 1956 with the objective of aligning company law in India with global corporate governance standards. It introduced significant reforms, including enhanced corporate governance norms, independent directors, corporate social responsibility (CSR), class action suits, stricter disclosure requirements, electronic governance, One person Company, strict remedies against fraud and stronger protection for minority shareholders. The Act also highlighted transparency, accountability and responsible corporate management while simplifying business procedures and improving investor confidence. To address emerging corporate challenges and incorporate international best practices, the Companies Act, 2013 has become the

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[20] Trilok Choudhary, The Genesis and Development Of Company Law In India, IJLLR JOURNAL (June 18, 2021), https://www.ijllr.com/post/the-genesis-and-development-of-company-law-in-india.

[21] (PDF) Indian Journey of Economic Development and Corporate Legislations Post Independance, https://www.researchgate.net/publication/410060344_Indian_Journey_of_Economic_Development_and_Corporate_Legislations_Post_Independance (last visited July 20, 2026).

[22] Diva Rai, Interesting Facts about the Origin of Company Legislation, IPLEADERS (Oct. 16, 2019), https://blog.ipleaders.in/history-of-the-company-legislations/.

cornerstone of modern corporate legal framework in India and continues to evolve through periodic amendments and regulatory reforms[23].

4.4.1. Meaning and Characteristics of a Company

A company is an artificial legal person created under the Companies Act, 2013, having a separate legal identity distinct from its members. Salomon v. A. Salomon & Co. Ltd.[24], in this case, established that a company is an entirely separate legal entity from its incorporators, even if one person holds virtually all the shares. It possesses perpetual succession, limited liability, artificial personality, separate management, and the capacity to own property, enter into contracts and sue or be sued in its own name. Lee v. Lee's Air Farming Ltd.[25], in this case, the court confirmed that a person can simultaneously act as the sole governing director, controlling shareholder, and an employee of the company. These characteristics distinguish a company from other forms of business organizations such as sole proprietorships and partnerships[26].

4.4.2. Types of Companies

The Companies Act, 2013 recognises various types of companies based on liability, ownership and purpose. These include private companies, public companies, one person companies (OPCs), companies limited by shares, companies limited by guarantee, unlimited companies, government companies, holding and subsidiary companies, producer companies, foreign company, government company and Section 8 companies established for charitable or non-profit objectives. This classification enables businesses to choose a corporate structure suitable to their objectives and operational needs[27].

4.4.3. Incorporation and Registration

A company comes into existence only upon incorporation under the Companies Act, 2013. The incorporation process involves obtaining Digital Signature Certificates (DSC), Director Identification Numbers (DIN), reserving the company name, filing the Memorandum of Association (MOA) and Articles of Association (AOA), and obtaining a Certificate of Incorporation from the

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[23] The Companies Act, 2013 and Its Role in Corporate Governance — IJLMH, https://ijlmh.com/wp-content/uploads/The-Companies-Act-2013-and-its-Role-in-Corporate-Governance.pdf?pdf=1 (last visited July 20, 2026).

[24] Salomon v. A. Salomon & Co. Ltd. [1897] AC 22

[25] Lee v. Lee's Air Farming Ltd. [1961] AC 12

[26] Rachit Garg, A Company Is an Artificial Person Created by Law, IPLEADERS (July 24, 2022), https://blog.ipleaders.in/a-company-is-an-artificial-person-created-by-law/.

[27] Unveiling the Types and Classifications of Companies Under the Companies Act 2013 Made Easy, https://www.companiesnext.com/blog/types-and-classification-of-companies-under-the-companies-act-2013 (last visited July 21, 2026).

Registrar of Companies (ROC). Incorporation grants the company a distinct legal identity and the legal capacity to conduct business[28].

4.4.4 Separate Legal Entity

The doctrine of separate legal entity is one of the most fundamental principles of company law. Once a company is incorporated, it becomes a separate legal entity distinct from its members. It can own assets, incur liabilities, enter into contracts and initiate or defend legal proceedings in its own name. This principle was firmly established in Salomon v. A. Salomon & Co. Ltd. and continues to form the foundation of modern corporate law[29]. TATA Engineering and Locomotive Co. Ltd. (TELCO) v. State of Bihar[30], in this case, the Supreme Court of India affirmed that corporations are separate legal entities and cannot claim fundamental rights reserved exclusively for citizens under Article 19 of the Constitution of India.

4.4.5. Limited Liability

Members' liability is limited to the amount specified in the memorandum. Limited liability protects shareholders by restricting their financial liability to the unpaid amount on the shares they hold or the amount guaranteed by them. Their personal assets are generally protected from the company's debts and obligations. This principle encourages investment, facilitates entrepreneurship and promotes economic growth by minimizing financial risk for investors[31].

4.4.6. Perpetual Succession

A company enjoys perpetual succession, meaning its existence is not affected by the death, insolvency, retirement or transfer of shares by its members. The company continues to exist until it is legally dissolved through the process prescribed under the Companies Act. This ensures continuity and stability in business operations[32]. Gopalpur Tea Co. Ltd. v. Peshok Tea Co. Ltd.[33], in this case, the court reaffirmed that changes in ownership or death of members do not disrupt the continuous legal existence of a corporate entity.

4.4.7. Corporate Governance

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[28] taxguru_in & CS Vikram Sirohi, Process for Incorporation of Company under the Companies Act, 2013, TAXGURU (June 7, 2023), https://taxguru.in/company-law/process-incorporation-company-companies-act2013.html.

[29] Muhammad Waqas & Zahoor Rehman, Separate Legal Entity of Corporation: The Corporate Veil, 3 INTERNATIONAL JOURNAL OF SOCIAL SCIENCES AND MANAGEMENT 1 (2016).

[30] TATA Engineering and Locomotive Co. Ltd. (TELCO) v. State of Bihar [1964] 6 SCR 885.

[31] Ahmad Afridi, Corporate Liability and the Concept of Limited Liability, 3 INTERNATIONAL JOURNAL OF LAW AND POLICY 37 (2025).

[32] Companies Act, 2013, Concept and Characteristics / Nature of a Company, Types, Formation, THE INTACT ONE (May 19, 2023), https://theintactone.com/2023/05/19/companies-act-2013-concept-and-characteristics-of-a-company-types-of-companies-formation-of-a-company/.

[33] Gopalpur Tea Co. Ltd. v. Peshok Tea Co. Ltd. (1982).

Corporate governance refers to the system of rules, principles and processes through which a company is directed and controlled. It promotes transparency, accountability, fairness and good decision-making. The Companies Act, 2013 strengthens corporate governance by introducing provisions relating to independent directors, board committees, disclosures, internal controls, corporate social responsibility and protection of minority shareholders[34].

4.4.8. Memorandum of Association and Articles of Association

The Memorandum of Association (MOA) and the Articles of Association (AOA) are the two main constitutional documents of a company. They are the basic structure of the company. They form the legal foundation of a company by defining its objectives, powers and internal governance. Every company incorporated under the Companies Act, 2013 is required to prepare and register these documents with the Registrar of Companies at the time of incorporation. Together, they regulate both the external relationship of the company with third parties and its internal administration[35].

The Memorandum of Association (MOA) is regarded as the charter of the company. It defines the scope and limits of the company's powers and specifies the purposes for which the company has been established. As per Section 4 of the Companies Act 2013, the MOA contains the Name Clause, Registered Office Clause, Objects Clause, Liability Clause, Capital Clause and Subscription Clause. Among these, the Objects Clause is of particular importance because it determines the nature of business activities the company is authorised to undertake. Any activity beyond the scope of the Objects Clause is considered ultra vires the company and is generally void. Thus, the MOA protects shareholders and creditors by ensuring that corporate funds are used only for authorised business activities[36]. Ashbury Railway Carriage and Iron Co. Ltd. v. Riche[37], in this case, established that contracts outside the scope of the MOA are null and void and cannot be ratified, even by unanimous consent of shareholders. Lakshmanaswami Mudaliar v. Life Insurance Corporation of India[38], in this case, the Supreme Court held that directors cannot spend corporate funds on activities outside the company's authorized statutory objects, rendering such expenditures ultra vires.

The Articles of Association (AOA), provides under Section 5 of the Companies Act, 2013, regulate the internal management of the company. It contains the rules governing the administration of the company, including the appointment and powers of directors, conduct of board meetings and general meetings, issue and transfer of shares, declaration of dividends, voting rights of members,

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[34] Prof Gupta, Corporate Governance In India – An Overview, 1 LEGAL RESEARCH DEVELOPMENT 16 (2016).
[35] Krishnendra Joshi, Articles of Association (AOA) under Company Law, IPLEADERS (Feb. 15, 2024), https://blog.ipleaders.in/articles-of-association-under-indian-company-law/.
[36] LawBhoomi, Memorandum of Association: All You Need to Know, LAWBHOOMI (Apr. 5, 2023), https://lawbhoomi.com/memorandum-of-association/.
[37] Ashbury Railway Carriage and Iron Co. Ltd. v. Riche (1875) LR 7 HL 653.
[38] Lakshmanaswami Mudaliar v. Life Insurance Corporation of India (AIR 1963 SC 1185).

maintenance of accounts and other procedural matters. The Articles provide operational flexibility by enabling companies to frame internal rules and regulations according to their business requirements, provided such regulations are consistent with the Companies Act, 2013 and the Memorandum of Association[39].

The MOA and AOA are complementary documents and must be read together. While the MOA determines what the company is legally permitted to do, the AOA prescribes how those powers are to be exercised. In the event of any inconsistency, the provisions of the Companies Act, 2013 prevail over both documents and the Memorandum takes precedence over the Articles.

The Companies Act, 2013 also permits alteration of the MOA and AOA, subject to statutory procedures. Alteration generally requires the approval of the shareholders through a special resolution and in certain cases, approval from the Central Government or other prescribed authorities. These safeguards ensure that changes to the company's constitutional documents do not adversely affect the interests of shareholders, creditors or the public[40].

The significance of the Memorandum has been recognised in the landmark case of Ashbury Railway Carriage and Iron Co. Ltd. v. Riche (1875), where the House of Lords held that any act beyond the objects stated in the Memorandum is ultra vires and therefore void. This decision established the doctrine of ultra vires and reinforced the importance of the Memorandum in defining the legal capacity of a company[41].

The MOA and AOA continue to serve as the constitutional framework of a company by ensuring legal certainty, effective corporate governance and compliance with statutory requirements. They provide clarity regarding the company's objectives, powers and internal management while protecting the interests of shareholders, creditors and other stakeholders[42].

4.4.9. Share Capital and Members

Share capital represents the financial resources contributed by shareholders for the company's activities. The Companies Act classifies share capital into authorised, issued, subscribed and paid-up capital. Members or shareholders are the owners of the company and enjoy rights such as voting, receiving dividends, participating in meetings and sharing in the residual assets upon winding up.

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[39] Guest Post, Contents of Articles of Association, IPLEADERS (Nov. 9, 2024), https://blog.ipleaders.in/drafting-articles-of-association-company/.

[40] Difference Between MOA and AOA 2026 | India Guide, (July 5, 2026), https://vakilsearch.com/article/difference-between-moa-and-aoa/.

[41] HarshJain, Ultra Vires Doctrine under Company Law - All You Need to Know, IPLEADERS (June 1, 2018), https://blog.ipleaders.in/borrowing-company-deemed-ultra-vires/.

[42] (PDF) Company Law, https://www.researchgate.net/publication/388916935_Company_Law (last visited July 21, 2026).

They are also subject to responsibilities prescribed by law and the company's constitutional documents[43].

4.4.10. Directors and Management

The board of directors is responsible for the overall management and control of the company. Directors act as fiduciaries and are required to perform their duties with honesty, diligence and good faith in the best interests of the company and its stakeholders as per Section 166 of the Companies Act, 2013. The Companies Act, 2013 prescribes provisions relating to the appointment, qualifications, duties, powers, disqualifications and liabilities of directors, ensuring effective corporate management and accountability[44]. Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan[45], in this case, the Supreme Court held that directors occupy a fiduciary position and must exercise their powers for the benefit of the company. Issuing additional shares primarily to reduce a majority shareholder to a minority constitutes a breach of fiduciary duty. Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.[46], in this case, the Supreme Court emphasised that actions taken by directors must be tested against the standard of duty and good faith, rather than personal self-interest.

5. Contemporary Issues and Challenges

The evolution of company law in India has significantly strengthened the corporate regulatory framework through the Companies Act, 2013. However, the dynamic nature of the corporate sector has given rise to several contemporary issues and challenges that require continuous legal and regulatory attention. Digital transformation, globalization, digital business models and increasing stakeholder expectations have transformed the corporate sector, making effective corporate governance more complex than ever before[47].

One of the major challenges is ensuring effective corporate governance despite the existence of comprehensive statutory provisions. Corporate frauds, financial mismanagement and failures in board oversight continue to undermine investor confidence and highlight weaknesses in the implementation of governance standards. Although the Companies Act, 2013 introduced

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[43] Section 43.Kinds of Share Capital., COMPANIES ACT INTEGRATED READY RECKONER|COMPANIES ACT 2013|CAIRR, https://ca2013.com/kinds-of-share-capital/ (last visited July 21, 2026).

[44] Parvejur Rahman & Sagufta Mehnaz, International Journal for Multidisciplinary Research (IJFMR), SSRN JOURNAL (2024), https://www.ssrn.com/abstract=5054029.

[45] Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan (2005) 1 SCC 212.

[46] Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd. (1981) 3 SCC 333.

[47] Mohammad Rauf, Socio-Legal Evolution of Company Law in India: From the Companies Act 1956 to the Companies Act 2013. Edition: Vol.–13, No.–1 (January to March, 2024), 13 81 (2024).

independent directors, audit committees and stricter disclosure requirements, practical enforcement remains inconsistent in many companies[48].

Another significant issue is the growing burden of regulatory compliance. Companies must comply with numerous provisions under the Companies Act, 2013, SEBI regulations, taxation laws, environmental laws, labour legislation and data protection requirements. While these regulations promote transparency and accountability, they increase compliance costs, particularly for small and medium-sized enterprises and start-up companies[49].

The increasing emphasis on Environmental, Social and Governance (ESG) standards and Corporate Social Responsibility (CSR) has expanded corporate obligations beyond profit-making. Companies are now expected to adopt sustainable business practices, maintain good governance and fulfil social responsibilities. Although these initiatives contribute to long-term corporate sustainability, many organizations face challenges in effectively implementing and monitoring ESG and CSR obligations[50].

The digital transformation of corporate activities has also created new legal concerns. Electronic governance, virtual board meetings, digital record-keeping and cybersecurity risks require continuous updates to the legal framework to ensure data security, privacy protection and regulatory compliance. Existing legal provisions must continue to evolve to address emerging technologies such as artificial intelligence, blockchain and digital financial transactions[51].

From a critical legal perspective, the Companies Act, 2013 has modernised company law by strengthening corporate governance, investor protection and corporate accountability. Nevertheless, certain provisions remain complex, leading to procedural delays and increased compliance burdens. Regular legislative amendments and evolving regulatory requirements also create uncertainty for businesses. Therefore, continuous legal reforms, simplified compliance mechanisms, stronger enforcement and greater adoption of digital governance practices are essential to ensure that company law remains responsive to changing business environments while effectively balancing corporate growth with stakeholder protection and public interest[52].

6. Conclusion and Recommendations

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[48] Muslim Muslim, The Failure of Governance and Internal Controls in Preventing Fraud in the Company, 3 ADVANCES IN MANAGERIAL AUDITING RESEARCH 15 (2025).

[49] Vanshika Mathur, Environmental, Social, and Governance (ESG) Compliance in India: Legal Framework and Corporate Accountability, 13 (2026).

[50] Hisham Jadallah, Mansour Shakhatreh & Farouq Alazzam, CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS LAW: NAVIGATING ESG COMPLIANCE, 1398 (2026).

[51] Hanadi Aldeeb, Legal Issues of Digital Transformation (2026).

[52] Roji Kanungo & Sakti Dash, A CONCEPTUAL VIEW ON COMPANIES ACT 2013: WITH SPECIAL REFERENCE TO SHARE CAPITAL, 4 (2016).

The evolution of company law in India reflects the country's economic, social, and legal transformation from the colonial era to a modern corporate economy. Beginning with the early joint-stock company legislation and culminating in the Companies Act, 2013, the legal framework has progressively evolved to promote corporate growth, protect stakeholder interests and strengthen corporate governance. The primary principles of incorporation, separate legal personality, limited liability, perpetual succession and structured corporate management continue to form the foundation of company law in India.

The Companies Act, 2013 has introduced significant reforms aimed at enhancing transparency, accountability and investor confidence while aligning corporate regulation in India with global standards. However, these achievements, challenges relating to regulatory compliance, corporate governance, digital transformation and sustainability continue to require legislative heed. A balanced legal framework that combines effective regulation with business facilitation is essential for sustainable corporate growth.

Therefore, continuous legal reforms, efficient regulatory enforcement and responsible corporate practices are indispensable for maintaining an effective company law regime. A robust and adaptive corporate legal framework will not only strengthen corporate governance but also contribute to economic development, investor confidence and the long-term growth of corporate sector in India.

6.1. Recommendations

The emerging corporate environment demands that company law in India continuously adapt to evolving business practices and global regulatory standards. While the Companies Act, 2013 has strengthened corporate governance and investor protection, further reforms are necessary to enhance its effectiveness. Compliance procedures should be simplified, particularly for start-ups and small and medium-sized enterprises, without compromising transparency and accountability. Regulatory authorities should strengthen enforcement mechanisms through timely inspections, effective monitoring and stricter action against corporate fraud and financial misconduct. Companies should also be encouraged to adopt digital governance practices, improve cybersecurity measures and integrate Environmental, Social and Governance (ESG) principles into their business strategies. Continuous training and awareness programmes for directors and key managerial personnel will further promote good corporate governance and ensure better compliance with statutory obligations. Also, periodic review of corporate legislation is essential to address technological advancements, changing market positions and international best practices.