

# Enhancing shareholder capitalism

*Boards must now consider adopting - or regulators enforcing - a shareholder dissent review mechanism. Under such a framework, if a resolution is approved despite significant shareholder opposition, the board will be required to formally engage with dissenting minority shareholders, understand their concerns, and either explain themselves more clearly, or take appropriate corrective actions.*



The ownership structure of Indian companies has had an outsized influence in shaping the country's corporate governance architecture. For starters, around 65% of companies in the BSE100 are family-owned and run. This number only goes up as you move beyond the frontline indices. Shareholding data from the NIFTY 500 backs this up too - promoters held 54.5% of the equity shares back in December 2015, which rose to 58.9% by June 2020. Today, they still own about 51.0% of the equity. While this is a drop from the peak, it is still more than what institutional investors and all other shareholders combined, currently hold.

Given the concentrated ownership and control, external investors are willing to invest only when they can trust the company's governance and leadership. Since governance is essentially the outcome of interactions between regulators, the board, management, shareholders, and broader stakeholders, the role of regulation becomes crucial in ensuring balance and accountability across these relationships. In the Indian context a few things of things stand out.

One is the limited delegation of authority to the board. With a dominant shareholder often present on the board, regulators have taken a view that key decisions should rest with shareholders rather than the board. As a result, shareholders are called upon to vote on a wide range of matters - from major decisions like fund-raising, business restructuring, and amendments to charter documents, to relatively minor items with minimal financial impact, such as the appointment of a secretarial auditor or waiving postal charges for sending documents. By one count, there are more than 30 distinct items that require shareholder approval before the board can proceed. This stands in stark contrast to markets like the United States, where shareholders delegate significant authority to the board, that decides and acts.

Another guardrail that regulators have in place is that as all shareholders, including the promoters, have a vote, there are thresholds for decisions to get approved. Some are approved by way of an ordinary resolution. These need more votes to be cast in their favor than against. Then there are special resolutions, where the number of votes for a resolution to pass should be more than three times the number of votes against. A decade ago, regulations introduced a new category of resolutions referred to as a 'majority of minority' resolution. Such resolutions require more than 50% of the 'minority' votes in favor; the 'promoter' or the related party does not have a vote.

Reviewing the shareholder and voting outcome data for the NIFTY 500 shows an interesting pattern. Despite the checks and balances that regulators have placed, 64.4% of the votes are in favor of a resolution, 1.2% are against, with 34.4% abstaining. Ignoring the abstains, the support for resolutions jumps up to 98.15%, with just 1.85% dissent votes. This vote translates into 99.5% of the resolutions being approved.

Despite this there are numerous instances of resolutions with 100% of the institutional investors dissent, or even 40% of all investors dissent, but the promoters, with their majority ownership and vote, pull these across the finish line. How can you remedy this?

The current application of majority-of-minority voting, where promoters or interested parties are excluded from voting - is limited to a few specific circumstances. Expanding this requirement to cover all resolutions, will however, undermine the foundational principle of shareholder democracy, as it risks disenfranchising the majority by allowing a minority group to set the agenda.

As an alternative, boards must adopt - or SEBI mandate, a practice inspired by a constitutional precept - after due modification. Just as the President of India may return a bill to Parliament for reconsideration, a structured *shareholder dissent review mechanism* should be introduced. Under this framework, if a resolution receives significant opposition - defined, for instance, as more than 10% of votes cast against - the board will be obliged to formally engage with the minority shareholders and understand their concerns. Thereafter, within a specified timeframe (e.g., four months), the board will be required to either explain themselves more clearly or take appropriate corrective actions.

Importantly, as with the constitutional provision, the board may ultimately choose to go with its original decision. On the other side, if the investors are not persuaded by the company's thinking and continue to feel strongly, they are free to sell the stock.

**Exhibit 1: Institutional Investor Dissent**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
Institutional Ownership%	25.07	26.02	26.61
Median Institutional Votes (%)	86.4	85.9	87.2
>25% dissent	724	593	581
>50% dissent	267	237	207
>75% dissent	71	101	79
>90% dissent	36	54	39
100% dissent	4	5	1
Total Resolutions	4993	4398	4840

Source: iiasadrian.com

**Exhibit 2: Resolutions with >10% shareholder dissent**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
Number of resolutions proposed	4993	4398	4840
Number of resolutions on which >10% investors voted against	424	375	433

Source: iiasadrian.com

A dialogue on resolutions with more than 10% dissent means that less than one in ten resolutions will have to be revisited – not a large number, yet meaningful to foster a culture of consultation.

By adopting a shareholder dissent review mechanism to respond meaningfully to substantial dissent, boards will foster constructive dialogue with investors and thereby strengthen shareholder democracy.

*More:*

- [Voting data and outcomes for the NIFTY 500 companies for 2024](#), May 2025
- [Voting data and outcomes for the NIFTY500 companies for 2023](#), April 2024
- [Voting data and outcomes for the NIFTY 500 companies for 2022](#), June 2023
- [Voting data and outcomes for the NIFTY 500 companies in FY20-21](#), December 2021
  
- [\*Promoters disregard investor dissent while voting their own compensation\*](#), January 2025
- [\*Promoters vote on their own salaries despite poor investor support\*](#), June 2023



A modified version of this blog titled “Enhancing Shareholder Democracy” was published in the print edition of Business Standard on 21 May 2025. The article is behind a paywall. The newspapers subscribers can access the blog through this [link](#) or typing the following url: [https://www.business-standard.com/opinion/columns/rethinking-how-promoters-handle-dissent-can-empower-shareholder-democracy-125052001868\\_1.html](https://www.business-standard.com/opinion/columns/rethinking-how-promoters-handle-dissent-can-empower-shareholder-democracy-125052001868_1.html)

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IiAS provides bespoke research and assists institutions in their engagement with company managements and their boards. It runs two cloud-based platforms, SMART to help investors with reporting on their stewardship activities and ADRIAN, a repository of resolutions and institutional voting pattern.

IiAS jointly with the International Finance Corporation (IFC) and BSE Limited, has developed a Corporate Governance Scorecard for India to evaluate company's governance practices and market benchmarks.

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