

Beyond Compliance - Why Financial Governance is India's most Urgent Economic Priority

From Box-Tick Compliance to Inner Consciousness — The Imperative of Trust, Integrity, and Accountability in the Disruptive Era



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Foundation that We Cannot Afford to Neglect

Financial governance is the bedrock for the Indian economy, which aims at GDP growth to \$5 trillion by 2029 and to become a developed economy by 2047. Digital public infrastructure has placed India at the frontier of financial innovation. Our capital markets are highly dynamic and technologically advanced. The legal framework for corporate governance in India is comprehensive and constantly evolving.

Our aspirations for economic growth require us to continually strive for increased trust of investors and other stakeholders — within India and globally. In a world marked by technological disruption and a highly geopolitically volatile landscape, robust financial governance is core to sustaining the confidence of investors, regulators, and other stakeholders.

Regulatory Pressure and the Governance Imperative

Regulatory expectations are not only expanding but have become highly onerous. Managing finance in a highly unpredictable business environment, while maintaining organisation-wide highest standards of integrity and transparency, has become the cornerstone of financial governance. AI is reshaping systems, processes, and risk profiles of companies. RBI, SEBI, and MCA are progressively tightening governance and reporting norms. The BRSR framework is being gradually extended both in scope of disclosure requirements and in coverage of entities.

Investors place a premium of 15 to 20 percent on companies that are responsibly governed. Financial, entrepreneurial, and intellectual capital flows toward integrity, transparency, and trust in quality of governance.

India's regulatory framework has evolved over the years, benchmarked with global standards. However, a series of corporate failures and financial frauds — masked by financial reporting failures — have raised serious questions on the role of boards, audit committees, directors, CFOs, auditors, and internal auditors. A box-tick approach to compliance will harm not only the long-term value of companies but will also hamper our aspirations to become a leading economy of the world.

From Form to Substance

The challenge is to build inner consciousness for responsible governance and to evolve resilient internal governance systems that resist and prevent governance failures and hold misdemeanour accountable. Enhancing the trust of stakeholders is not only a moral and legal obligation — it is an imperative for the long-term survival and sustainability of companies themselves. We are aware of instances where an anonymous social media report, a so-called research report, an institutional investor's note, or even a rumour can damage corporate valuation overnight. What is important is intent and substance — not box-tick compliance.

NFRA's Warning — Financial Reporting Under Scrutiny

Despite India following international standards, serious concerns remain on the quality of financial reporting. NFRA reports highlight how brazenly related party transactions, off-balance sheet exposures, and aggressive revenue recognition are being resorted to in order to perpetuate frauds — and how basic principles of auditing are ignored in unearthing them. Stakeholders today demand assurance that is reflective of the true state of affairs and that can be trusted and relied upon. Auditors are the last line of defence. Their obligation is to those who read financial statements and form opinions on the quality of financial governance — not to those who appoint them. Reforms are urgently needed to safeguard the independence of auditors and ensure they have the capability and competence to deliver audit quality amidst the challenges of AI, real-time audit, and changing geopolitical risk. If not addressed, the auditing profession may face an existential threat.

The Boardroom Must Wake Up

The governance culture in boardrooms must change. Governance is not a part-time or pastime responsibility. It demands holistic engagement no less than any other profession — informed scepticism, the courage to question management, fearless expression of well-considered views, and where required, the recording of dissent.

Independent directors must exercise well-informed scepticism on related party transactions, attempted siphoning of funds, aggressive revenue recognition, unreasonable valuations, auditor independence, AI governance, cybersecurity,

risk profile, and ethical breaches. Failure to do so will invite regulatory and public accountability.

The responsibility of the board extends equally to creating an ethical culture across the organisation. It must create an environment where the CFO, risk managers, and compliance officers can freely and fearlessly speak their concerns. It must further ensure that the audit committee functions efficiently as an oversight body — acting as the guardian of financial probity and transparency.

CFO as a conscience keeper

Expectations from the CFO have transformed — from a number cruncher or fund raiser to a conscience keeper and navigator for the creation of long-term value. The CFO must be credible and courageous enough to rank stakeholder interests above the short-term or personal interests of promoters. AI is a powerful tool. However, its governance is a far bigger challenge. As has been rightly said — we must govern what we cannot fully see. The CFO's focus must also shift from financial reporting, which does not tell the complete truth, to integrated reporting covering ESG and reputational risks.

Financial systems face the challenge of data deluge with vulnerability to data integrity and cyber risks — posing severe systemic financial risks. Aiming at rapid growth without robust governance frameworks may lead to catastrophic collapse. The CFO must therefore walk a tightrope, balancing growth with financial discipline.

Valuation- a non Negotiable Governance Standard

Valuations sit at the heart of financial governance. Almost every significant corporate decision requires a valuation. When valuations are manipulated, they become exploitative to minority shareholders — a tool for masking weak balance sheets, raising debt on false premises, or justifying manipulative acquisitions. Boards, audit committees, and CFOs must therefore treat independent, rigorous, and transparent valuation as a non-negotiable governance standard — not a formality to be outsourced and rubber-stamped. The CFO in particular bears the responsibility to question valuation assumptions, challenge conflicts of interest in who conducts the valuation, and ensure that the methodology is sound and disclosed.

Conclusion

Financial governance is the foundation on which India's economic ambitions must be built. The quality of governance in boardrooms, finance functions, and audit firms will determine whether that aspiration becomes reality. Technology is transforming business at an unprecedented pace — but no algorithm can substitute for integrity, courage, and accountability. Boards, CFOs, auditors, and compliance professionals must move from form to substance — from the appearance of governance to its living practice. Trust, once lost, is extraordinarily difficult to rebuild, as markets have repeatedly demonstrated. Every participant in the financial governance ecosystem must act not merely as a custodian of compliance but as a guardian of long-term value — for their organisations, their stakeholders, and for India.