

Corporate Whistleblowing: From Legal Milestones to the Psychological Toll on Truth-Tellers

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ABSTRACT:

Whistleblowing plays a crucial role in upholding transparency and integrity within corporate governance frameworks. This article examines the definition and importance of whistleblowing, particularly within the Indian corporate context. It traces its historical development and the evolution of whistleblowing practices, supported by landmark cases that have shaped legal reforms in India. The paper further analyses significant legislative measures, including the Whistle Blowers Protection Act, 2014, and its relevance to corporate entities.

Importantly, the study also highlights the often-neglected psychological and social consequences faced by whistleblowers, ranging from mental health challenges to social alienation. It emphasizes the need for effective support systems and protective mechanisms to safeguard whistleblowers' rights and well-being. By combining legal analysis with the human dimension of whistleblowing, the article offers a holistic perspective on its implications for corporate governance in India.

INTRODUCTION

Whistleblowing is important in today's talks about how companies are run. It is a strong way to reveal wrongdoing in organizations, which helps promote accountability and transparency. Whistleblowing is when people report unethical or illegal actions at their job, often risking their own safety. With the rise of globalization and technology making business practices more complex, having strong governance structures is more important now than ever. When organizations create a culture where employees can speak up about wrongdoings, they can reduce risks and meet ethical standards, which helps protect their reputation. Additionally, whistleblowing is more than just telling on someone; it shows a dedication to corporate ethics and social responsibility. Companies depend on information from whistleblowers to uncover troubling practices that might otherwise stay hidden, allowing them to tackle problems early. The attention that whistleblowers bring can lead to changes within organizations, inspiring them to re-evaluate their internal rules, improve compliance, and focus more on ethical training for workers. This supportive approach to whistleblowing not only meets legal requirements but also connects company goals with wider social values, improving the governance situation. Also, the link between whistleblowing and corporate governance highlights the need for protections for those who speak out. A supportive environment for whistleblowers, which includes legal protections and backing from the organization, is necessary to encourage reports of unethical conduct. Without these protections, potential whistleblowers might avoid speaking up due to fears of retaliation or losing their jobs. Thus, creating a culture that values honesty and hard work is critical for companies looking to improve their governance systems. Recognizing the role of

whistleblowing underscores its importance in maintaining corporate integrity and shows that it is a key part of good governance practices, emphasizing the need for ongoing improvements in policies and mindsets in the business world.

Definition of Whistleblowing

Whistleblowing is simply when a worker or a stakeholder tells on bad, illegal, or harmful activities happening within a company. It plays a crucial role in pointing out wrongdoings that could easily be ignored, helping improve how companies are run and held accountable. In businesses, whistleblowers often spot actions that break laws, rules, or ethical guidelines, thus keeping the organization's integrity intact. Additionally, the role of whistleblowing fits into the bigger picture of organizational ethics, where being open and honest is key. Allowing workers to voice concerns helps create a workplace that values ethical conduct, which ultimately helps both employees and the wider community. This proactive step builds public trust in organizations and highlights how individuals can promote a culture of integrity. Also, the definition of whistleblowing includes the need to protect whistleblowers from backlash, which is necessary for encouraging reports. Companies that create strong whistleblower protection rules show they are serious about ethical governance. Such rules not only reduce fear among potential whistleblowers but also improve the sharing of information about possible wrongdoing. In this way, expectations for corporate governance are raised, as they depend on employees being willing to report shady practices without fearing consequences. With a good whistleblowing system ready, companies can better tackle financial wrongdoing and promote open communication. This point is especially noted in research on corporate governance, which stresses the importance of having different views and involving various stakeholders to lower risks of financial misconduct¹. The effects of whistleblowing go beyond individual reports and impact the whole company culture, encouraging ethical accountability at every level. As businesses adopt better corporate governance practices, whistleblowing becomes a key defense against bad actions within organizations. By shining a light on misconduct, whistleblowing pushes companies to make necessary changes, leading to a healthier business environment. Looking into public sector auditing shows that whistleblowing is vital for spotting governance and compliance failures². Thus, the definition of whistleblowing includes not just reporting issues but also the broader changes that come from these actions. Making whistleblowing a key part of corporate governance ultimately strengthens organizations by fostering accountability, transparency, and ethical practices throughout all levels.

Importance of Corporate Governance

Good corporate governance is important for making transparency, accountability, and ethical actions better in organizations. Strong governance systems set clear policies and rules that stop wrongdoing, which helps create a safe space for whistleblowing. When workers feel safe to report unethical actions, organizations can gain useful information about possible risks and rule-breaking, which builds a culture of integrity. Also, having strong governance can reduce cases of “ethics washing,” which means companies following ethical rules only for their benefit. With tech companies often facing such criticism, experts stress the need

¹ Patrick Velte, “The Link Between Corporate Governance and Corporate Financial Misconduct.” *73 Management Review Quarterly* 353-411 (2021).

² Giorgia Mattei and Giuseppe Grossi, “Exploring Past, Present and Future Trends in Public Sector Auditing Research: A Literature Review”, in Prof Charl De Villiers and Warren Maroun (eds.), *Meditari Accountancy Research* 94-134 (Emerald Publishing Limited, 29th edn., 2021).

for real ethical systems instead of just compliance stories³. Therefore, good corporate governance not only promotes clear operational methods but also encourages individuals to speak up, which enhances overall integrity within the organization. Corporate governance's importance goes beyond just following rules; it shapes how society sees businesses. Nowadays, with challenges like human rights violations including modern slavery, governance systems require thorough monitoring of supply chain practices. Companies must evaluate their actions and share related practices as per laws like the 2015 UK Modern Slavery Act. By doing this, they show responsibility to stakeholders and the public. However, this close examination often shows a gap between intentions and real practices. Many companies struggle to find and address these problems because modern slavery often hides well⁴. So, a dedication to good corporate governance means companies must not only make ethical conduct guidelines but also continuously adjust and improve how they handle compliance and risks. Additionally, good corporate governance is key to strengthening organizations amid rising public demands for corporate responsibility. Incorporating whistleblowing systems within governance frameworks not only protects whistleblowers but also acts as a crucial feedback tool for spotting systemic problems. This forward-thinking approach helps organizations address possible crises before they worsen, which protects their reputations and keeps operations running smoothly. As stakeholders seek more accountability, aligning corporate governance with transparency standards is essential. By adopting thorough governance strategies, organizations can lessen reputational risks linked to unethical behavior and boost stakeholder trust. Therefore, the connection between whistleblowing and corporate governance highlights the broader importance of building ethical cultures, which ultimately strengthens the basis of current corporate responsibility.

Historical Context Of Whistleblowing

The history of whistleblowing is important to see how it has changed in corporate governance. Whistleblowing is not a new idea; it comes from old ways of holding people accountable. In the past, people who reported wrongdoing often faced harsh consequences, which shows the widespread fear around exposing corruption in businesses and governments. This history of fear emphasizes why legal protections for whistleblowers are necessary. In the U.S., important laws like the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010 created protections for whistleblowers as part of efforts to improve market trust after major corporate scandals. However, differences in whistleblower protections across contexts show the difficulties in creating a reliable way to protect those who reveal wrongdoing⁵. A look at whistleblowing laws shows how the U.S. and the European Union view this practice differently. In the U.S., regulations from the Sarbanes-Oxley Act focus on shielding whistleblowers to maintain market trust, particularly for reports on securities law violations. On the other hand, the European Directive 2015/2392 represents a move towards creating protections across Europe, encouraging external whistleblowing among member states. This difference highlights a key trend: whistleblowing is seen more as a regulatory tool rather than just a personal right. This changing environment shows how legislation aims to balance

³ Elettra Bietti, "From Ethics Washing to Ethics Bashing: A View on Tech Ethics from Within Moral Philosophy" *FAT* '20: Proceedings of the 2020 Conference on Fairness, Accountability, and Transparency* (2020).

⁴ Mark Stevenson and Rosanna Cole, "Modern Slavery in Supply Chains: A Secondary Data Analysis of Detection, Remediation and Disclosure" 23 *Supply Chain Management* 81-99 (2018).

⁵ Ioannis Kampourakis, "Dialectics of Transparency and Secrecy in the Information Age: The Role of Whistleblowing Legislation in the Regulatory Governance of Markets and in National Security" *Institutional Repository of Freie Universität Berlin* (2019).

fostering accountability while protecting those who risk their jobs to reveal wrongdoing⁶. Additionally, seeing whistleblowing as crucial for corporate governance and regulatory systems suggests a shift in how we view these disclosures. In the past, whistleblowers were often labeled as disloyal. However, today's views acknowledge their critical role in supporting ethical standards and accountability. As organizations deal with fraud and internal issues, creating an environment that supports whistleblowing becomes essential. Since insider trading and whistleblowing can both help reduce corporate fraud, understanding these ideas is important. In this situation, clarifying how whistleblowing relates to regulatory measures can create a better environment for ethical practices in corporate governance, ultimately strengthening the systems that ensure market trust and enhance confidence among stakeholders⁷.

Evolution of Whistleblowing Practices

The history of whistleblowing practices goes back to times when people revealed wrong things happening in organizations, greatly influencing today's corporate governance. Early whistleblowers often faced harsh consequences, showing a culture of silence fueled by fear of punishment. However, more people are realizing how important these disclosures are, which has led to changes in laws and company policies that aim to protect whistleblowers. This shift highlights a growing respect for transparency in corporate governance, where whistleblowing acts as a way to maintain the honesty of financial reporting. As companies try to build ethical work environments, the growth of whistleblowing practices has become key to encouraging accountability and ethical actions, improving overall governance structures in firms⁸. In recent years, setting up formal whistleblowing systems has strengthened the role of whistleblowing in improving corporate governance. These systems provide anonymous ways for employees to express concerns about unethical behavior or rule-breaking without fear of retaliation. Introducing such systems has been vital in stopping fraud and misconduct by creating clear paths for reporting issues. Research shows that companies with strong whistleblowing systems show better transparency and accountability, changing the governance landscape significantly. These systems demonstrate the proactive steps that businesses can take to not only meet legal requirements but also cultivate an environment focused on ethical behavior and transparency⁹. As corporate governance continues to change, it is clear that the development of whistleblowing practices will be vital in shaping future policies and company structures. The ongoing improvement in regulations for whistleblower protections is key to making sure employees feel safe to report unethical actions. Additionally, the importance of training and awareness programs about whistleblowing practices is significant, as these efforts help employees learn to identify and report misconduct effectively. By making whistleblower protections a core part of the corporate culture,

⁶ Jonathan Macey, "Getting the Word Out About Fraud: A Theoretical Analysis of Whistleblowing and Insider Trading." 105 *University of Michigan Law School Scholarship Repository* (2007).

⁷ Ioannis Kampourakis, "Dialectics of Transparency and Secrecy in the Information Age: The Role of Whistleblowing Legislation in the Regulatory Governance of Markets and in National Security" *Institutional Repository of Freie Universität Berlin* (2019).

⁸ Jingxuan Wang, "The Impact of Financial Information Transparency on Corporate Governance Effectiveness" *Transactions on Economics, Business and Management Research*, (2024).

⁹ Cut Maneka Giovani and Nuraini Anzib, "How Does a Whistleblowing System Prevent Earnings Management? Insights from Corporate Governance Perspective." *Indatu Journal of Management and Accounting* (2024).

organizations can harness whistleblowing as an essential tool for better governance and accountability, leading to more transparent and responsible business practices¹⁰.

Key Historical Cases

Throughout history, important whistleblowing cases have shown how vital transparency is in corporate governance. A major example is the Enron scandal, where insider whistleblower Sherron Watkins revealed unethical accounting practices that caused the company's fall in 2001. This incident led to major regulatory changes, like the Sarbanes-Oxley Act, aimed at improving corporate governance and accountability with stricter standards for financial reporting and auditing. The aftermath of Enron highlights how whistleblowers, usually driven by ethical reasons, can be key players in instigating change within companies. By exposing wrongdoings, whistleblowers are essential in building a culture of accountability, thereby strengthening the ethical basis for effective corporate governance. Another important historical case is Nigeria's whistleblowing initiative launched in 2016 to tackle corruption and fraud in its institutions. While this program has the potential to improve accountability, its effectiveness has been limited by a complicated institutional landscape and high risks faced by whistleblowers. Research shows that knowledge of whistleblower protections is still low, as social issues and operational difficulties weaken the program's impact¹¹. This situation shows the need not only for whistleblower protections but also for creating an environment that encourages individuals to report wrongdoings without fear of retaliation. The relationship between good governance and whistleblowing is clearly fragile, depending on an institutional commitment to maintain ethical behavior. In academic settings, the issues surrounding whistleblowing can resemble those in corporate spheres. Recent studies among scholars have found that pressure to meet strict performance measures can create a culture of silence in academic institutions, undermining transparency and ethical standards. This pressure can lead to fear and a reluctance to report misconduct¹². However, some academics have started to push back against these pressures, seeking to regain their professional independence through informal support networks and collective action. By promoting collaboration and openness, these whistleblowing initiatives can lead to significant change in academia. As in corporate governance, developing supportive frameworks for whistleblowers is crucial to encouraging accountability and enhancing the integrity of the entire institution.

Legislative Changes Over Time

The changes in laws have been important for improving corporate governance, especially by adding protections for whistleblowers. Major scandals like Enron and WorldCom highlighted the need for serious law changes to prevent corporate wrongdoing. The Sarbanes-Oxley Act of 2002 (SOX) is a prime example; it set tougher rules on financial reporting and responsibility for publicly traded companies. The act also included measures to protect whistleblowers, helping create a space where workers could report unethical actions without worrying about retaliation. These law changes show a dedication to transparency and ethics in organizations, emphasizing that accountability is key for a smooth-functioning corporate

¹⁰ Jingxuan Wang, "The Impact of Financial Information Transparency on Corporate Governance Effectiveness" *Transactions on Economics, Business and Management Research*, (2024).

¹¹ Oliver Nnamdi Okafor, Festus A. Adebisi, *et.al.*, "Deployment of Whistleblowing as an Accountability Mechanism to Curb Corruption and Fraud in a Developing Democracy" 33 *Accounting, Auditing & Accountability Journal* (2020).

¹² David R Jones, Max Visser, *et.al.*, "The Performative University: 'Targets', 'Terror' and 'Taking Back Freedom' in Academia" 51 *SAGE Journals (Management Learning)* 363-377 (2020).

system, thus enhancing the overall integrity of corporate governance. More recent laws have tried to build on what SOX established, extending protections to more organizations, including non-profits and government agencies. Recent scandals show that governance issues are not just limited to businesses; they affect many areas. New laws have increasingly acknowledged the need for thorough whistleblower policies that apply to all organization types. The growing complexity of governance in non-profits has made it clear that stronger oversight and better board performance are necessary. Laws that support whistleblowing in these situations are critical for better accountability, allowing individuals to report wrongdoings based on their principles. These changes show a shift towards more comprehensive governance practices that meet the specific needs of different organizations. The link between law changes and whistleblowing in improving corporate governance reflects ongoing discussions about ethical behavior in various fields. Lawmakers are increasingly realizing that stronger protections for whistleblowers are vital for encouraging transparency and accountability. As regulations change, organizations need to not only create internal policies to shield whistleblowers but also develop a culture that promotes ethical conduct among staff. The move towards more thorough accountability measures requires boards and management to focus on ethics during decision-making. By adding whistleblower protections to governance frameworks, organizations can improve their defense against misconduct while creating an environment where employees feel safe reporting violations. In summary, changes in legislation emphasize the significance of whistleblowing in strengthening a governance system that responds to the ethical issues faced by different organizations¹³.

THE PSYCHOLOGICAL IMPACT ON WHISTLEBLOWERS

Whistleblowing can be key in improving corporate governance, but it also has serious psychological effects on the individuals who engage in such brave acts. Whistleblowers may go through a mix of feelings, including pride in their ethical choices, but also fear and anxiety about their future at work and in life. Reporting unethical actions can cause a lot of stress, as people worry about negative responses, exclusion, or retaliation from coworkers and bosses. Studies show that the psychological impact can show up in many ways, like feelings of loneliness, sadness, and even post-traumatic stress disorder (PTSD). Therefore, organizations that focus on whistleblowing systems need to think about both how misconduct is reported and what mental health help is available for those who take the bold step to maintain ethical standards¹⁴. Additionally, the social and workplace situations around whistleblowing can worsen the psychological effects for individuals. If a whistleblower faces negative labels or is seen as a traitor, their support systems may shrink, making them more susceptible to mental health issues. The psychological impacts are not limited to the individual; they can also affect the workplace culture by creating a climate of fear and silence. This reality complicates the link between corporate governance and the well-being of whistleblowers, since a harmful workplace can make people less likely to speak up, which weakens accountability systems meant to encourage ethical actions. Good corporate governance should include plans to lessen the negative impacts of whistleblowing, promoting open discussions about ethics and

¹³ Tim V. Eaton, Michael D. Akers, *et.al.*, “Whistleblowing and Good Governance” *E-Publications@Marquette(Accounting Faculty Research and Publications)* (2007).

¹⁴ Kevin Bardosh and Alex De Figueiredo, “The Unintended Consequences of Covid-19 Vaccine Policy: Why Mandates, Passports and Restrictions May Cause More Harm than Good” *7 Bmj Global Health* (2022).

safeguarding the mental health of those who report misconduct¹⁵. To effectively tackle the psychological effects of whistleblowing, organizations should set up complete support systems, including counseling and peer support groups. Encouragingly, studies show that organizations with strong protective measures tend to see more whistleblower reports and fewer negative psychological outcomes among employees. By cultivating a culture that values ethical behavior and prioritizes mental well-being, companies can create a space where whistleblowers feel supported and secure. In the end, acknowledging and addressing the psychological effects of whistleblowing is critical for strengthening corporate governance systems and ensuring that those who report misconduct can do so without fear or distress.

Emotional and Mental Health Effects

Whistleblowing is important for exposing bad actions, but it can seriously harm the emotional and mental health of those involved. People who report unethical behavior face big stressors like retaliation, losing their job, and being shunned by society. The fear of losing their professional and personal lives can lead to feelings of anxiety, depression, and even thoughts of suicide among whistleblowers. This emotional pain isn't just a few cases; it shows a larger problem in workplaces that too often punish honesty instead of rewarding it. The emotional damage these individuals face is significant and can last long after they blow the whistle, highlighting a crucial issue in how we look at corporate governance and its effect on the mental health of whistleblowers, as shown . Additionally, the way society sees whistleblowers as disloyal can make their emotional pain even worse. Society usually views whistleblowing as a betrayal of one's employer, leading to a situation where these people are pushed aside. This social stigma can cause feelings of loneliness and low self-worth, worsening their resilience and mental health. Whistleblowers might often feel inner conflict, trying to balance their quest for justice with the disappointment of coworkers and bosses. Such emotional struggles can lead to lasting psychological harm, showing the importance of corporate policies that protect whistleblowers while also considering their mental health needs, which are often ignored in many laws, particularly those in the Dodd-Frank Act. Even with the known effects of whistleblowing on mental health, current legal systems tend to ignore emotional damage, highlighting a need for change. For instance, under the SEC's whistleblower rules in the Dodd-Frank Act, mental and emotional harms are hardly taken into account when compensating whistleblowers. Recent talks within the International Whistleblowing Research Network point out that including mental health considerations in protections for whistleblowers would promote fairness and encourage accountability in corporate governance. It is vital for stakeholders to see the psychological impact of whistleblowing and make laws that support these individuals' well-being. Effective governance changes should not only shield whistleblowers from retaliation but also address the emotional and mental health challenges they face, as noted in findings from various whistleblower studies.

Social Consequences of Whistleblowing

Whistleblowing is an important factor in influencing how corporate governance works, affecting company culture and relationships among employees. When employees bravely reveal wrongdoings, it can lead to serious outcomes for them, both at work and in their personal lives. These outcomes can include backlash or being shunned by coworkers, which highlight the risks that those who expose unethical behavior face.

¹⁵ Mikkel Flyverbom and Ronald Deibert, "The Governance of Digital Technology, Big Data, and the Internet: New Roles and Responsibilities for Business." 58 *Business & Society* (2017).

Whistleblowing not only reveals ethical issues but can also create an environment of openness, motivating other employees to report unethical actions without fear of punishment. An empowered workforce can initiate important changes in governance and accountability, ultimately strengthening the overall integrity of corporate governance. Moreover, the social impacts of whistleblowing reach beyond the organization's immediate setting. Often, when wrongdoings are uncovered, it leads to public backlash and attracts attention from various stakeholders like investors, regulators, and the media. This heightened scrutiny can compel companies to reassess their policies and practices, showing the need for strong corporate governance. Additionally, as shown in¹⁶, the ethical issue life cycle indicates that how these dilemmas are resolved affects an organization's future and public views on corporate responsibility. Therefore, whistleblowing plays a dual role: it protects ethical practices and drives organizations towards increased accountability through stakeholder engagement. Finally, the social consequences of whistleblowing extend beyond individual companies and shape wider societal expectations about corporate behavior. As more whistleblowers speak out, a shared awareness develops about the importance of ethical business conduct. This social change may push regulatory bodies to establish tougher policies and systems that protect whistleblowers from retaliation, as noted in¹⁷. Thus, whistleblowing helps create systemic change in corporate governance, aligning business practices with societal values of integrity and accountability. Such changes boost the credibility of companies and empower stakeholders by reinforcing their rights to ethical business practices, ultimately increasing trust and engagement in the market.

Support Systems for Whistleblowers

Support systems for whistleblowers are very important for creating a space where people can report wrongdoing in organizations. These systems not only protect individuals from punishment but also make sure that reports are taken seriously and handled properly. Good support options include legal protections, counseling services, and anonymous ways to report issues that allow employees to express their worries without fear. When strong systems are not in place, potential whistleblowers might think twice about reporting, which can weaken corporate governance aimed at transparency and responsibility. Having these protective measures can build trust in organizational ethics and governance, serving as a deterrent against wrongdoing and fostering a culture that prioritizes integrity¹⁸. Additionally, looking at the whistleblower protection laws in the United States compared to those in the European Union highlights how crucial institutional support systems are. In the U.S., important laws like the Sarbanes-Oxley Act and the Dodd-Frank Act show a focus on protecting whistleblowers as key sources of information about corporate fraud and market integrity. On the other hand, the EU has been working on creating a uniform system for whistleblower protection, showing an increasing acknowledgment of how important whistleblowers are for upholding democratic values and market efficiency. These legal improvements show a stronger commitment to supporting whistleblowers, which can enhance corporate governance by encouraging the reporting of unethical behavior. Furthermore, the difficulties that whistleblowers face in national security

¹⁶ Ian Jones and Michael Pollitt, "The Development of Ethical Issues Facing Boards of Directors: A Model with Implications" *ESRC Centre for Business Research, University of Cambridge* (2025).

¹⁷ Howard and Allcock, "Key Drivers of 'Good' Corporate Governance and the Appropriateness of UK Policy Responses : Final Report." *The Department of Trade and Industry and King's College London* (2007).

¹⁸ Jason Zuckerman and Tom Devine, "Draining the Swamp Requires Robust Whistleblower Protections and Incentives." *4 Emory Law Scholarly Commons* (2017).

situations highlight the need for strong support systems. Unlike corporate sectors that offer protections to encourage reporting of issues, national security often has strict reporting rules and harsh consequences for disclosures. This contradiction in protections raises serious concerns about accountability and transparency in government institutions. Without solid support systems, whistleblowing is discouraged and impedes good governance. Therefore, it is crucial to improve these systems to ensure that whistleblowers can be effective accountability tools in both corporate and government settings, ultimately helping to build a society that values integrity and ethics in all areas of public and private life.