

Corporate Governance Practices of Family-Owned Listed Companies in India

Dr. Thanigaimani S¹, Shankar Reddy P²

¹Associate Professor, Department of Commerce, Srimad Andavan Arts & Science College, Trichy
Affiliated to Bharathidasan University, Tamilnadu – 620005

²Research Scholar, Department of Commerce, Srimad Andavan Arts & Science College, Trichy,
Affiliated to Bharathidasan University, Tamilnadu – 620005

Abstract

Family-controlled firms dominate India's listed universe, accounting for the majority of market capitalisation on the NSE and BSE and spanning sectors from petrochemicals to pharmaceuticals. This paper examines how ownership concentration in these firms shapes board structure, leadership succession, and related-party dealings, and how India's post-2013 regulatory architecture — the Companies Act and SEBI's Listing Obligations and Disclosure Requirements — has tried to reconcile founder control with minority shareholder protection. Drawing on current shareholding disclosures for eleven prominent family businesses, the paper shows that promoter holdings range from below 20 percent to above 70 percent, that chair-CEO separation is now the norm rather than the exception among larger family firms, and that governance quality within this group is far from uniform. The paper closes with a set of practice-oriented recommendations for boards, regulators, and institutional investors.

Keywords : Family-controlled firms, Promoter holdings, Board structure, CEO duality, Leadership succession, Related-party transactions (RPTs), Corporate governance, Companies Act 2013, SEBI Listing Obligations and Disclosure Requirements (LODR), Minority shareholder protection, Board independence, India.

1. Introduction

Ask most people to picture a typical Indian company and they will, whether they realise it or not, picture a family firm. Reliance is the Ambanis. Wipro carries Azim Premji's name even though he stepped back from daily management years ago. Godrej, Bajaj, Mahindra, Munjal, Shanghvi, Wadia — these are not just brand names, they are surnames that sit on annual reports, on board minutes, and on the shareholding-pattern filings that every listed company must disclose each quarter. Estimates place the family-business share of India's listed market capitalisation somewhere between 55 and 65 percent, a figure that has moved surprisingly little despite two decades of governance reform (Chakrabarti, Megginson & Yadav, 2008; Khanna & Palepu, 2000).

This concentration is not an accident of history that markets have since dissolved. It is a structural feature of how Indian capital markets developed: promoters retained control through holding companies, cross-shareholdings, and family trusts even as they raised outside capital, a pattern common across emerging economies where legal protection for minority investors historically lagged behind that of the US or UK (La Porta et al., 1999, as widely cited in the Indian governance literature). The question this paper asks is

not whether family control is good or bad in the abstract — that debate has run for two decades without a clean resolution — but how it actually manifests in the governance mechanics of listed Indian firms today: who sits on the board, who chairs it, how related-party transactions are approved, and what regulators have done to keep promoter interests aligned with those of everyone else holding the stock.

The paper proceeds as follows. Section 2 situates the discussion within agency theory, stewardship theory, and the socioemotional-wealth perspective that has become the dominant lens in family-business scholarship. Section 3 summarises the regulatory scaffolding that governs these firms. Section 4 presents current ownership data for eleven major family-controlled listed companies. Section 5 examines board leadership structures. Section 6 discusses the governance frictions distinctive to family firms — succession, related-party transactions, and minority protection. Section 7 weighs the performance evidence, and Section 8 closes with recommendations.

2. Theoretical Lenses on Family Ownership

Classical agency theory (Jensen & Meckling, 1976) frames the central governance problem as a conflict between dispersed shareholders and managers who may not act in owners' interests. Family firms complicate this picture rather than resolving it. Where ownership and management overlap, the manager-shareholder conflict shrinks, but a second conflict opens up: between controlling family shareholders and minority public shareholders. Scholars call this the Type II agency problem, and it is generally regarded as the more relevant lens for markets like India, where promoter holdings are large and legal enforcement, while improving, still leaves gaps that controlling shareholders can exploit through tunnelling — extracting value via related-party transactions, transfer pricing between group firms, or preferential asset sales (Gopalan & Jayaraman, 2012).

Stewardship theory offers a more sympathetic counter-narrative: because family wealth and reputation are tied to the firm for generations, family managers may act as stewards rather than self-interested agents, taking a longer investment horizon than professional managers whose tenure and bonuses are tied to quarterly results. The socioemotional-wealth perspective, borrowed from Western family-business research but increasingly applied to Indian conglomerates, adds a further dimension: families sometimes make decisions that protect non-financial goals — control, identity, the family name — even at some cost to shareholder value. A family patriarch's reluctance to bring in outside CEOs, or a board's hesitation to remove an underperforming next-generation heir, are as easily explained by socioemotional-wealth preservation as by any pure agency-cost account.

None of these theories fits India's family firms uniformly. Reliance under Mukesh Ambani combines concentrated founder control with an increasingly professionalised senior-management layer. Wipro has gone further, installing successive non-family CEOs while the Premji family retains an executive chairmanship and a supermajority stake. Mahindra & Mahindra sits at the opposite pole: the promoter shareholding on record is comparatively modest, and day-to-day leadership rests with a non-family MD and CEO, even though Anand Mahindra's chairmanship keeps the founding family's imprint on strategy. The theoretical frameworks, in other words, describe a spectrum rather than a single archetype, and any empirical account of Indian family governance has to hold that variation in view rather than average it away.

3. Regulatory Architecture Governing Family Firms

India's corporate governance framework has been rebuilt twice in the last fifteen years: once through the

Companies Act, 2013, following the Satyam fraud, and again through SEBI's consolidated Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, which absorbed and tightened the earlier Clause 49 listing agreement. Both instruments were written with concentrated ownership specifically in mind, even where they do not name family firms directly.

Table 1 summarises the provisions most relevant to promoter-controlled companies: board-independence thresholds that scale with whether the chairperson is a promoter, related-party-transaction approval chains that route material deals through independent directors and then through a minority shareholder vote, an age-75 re-appointment hurdle aimed squarely at founder-patriarchs who might otherwise remain on the board indefinitely, and mandatory secretarial audits meant to give regulators an independent compliance check rather than relying solely on internal certification.

Regulatory Instrument	Core Governance Requirement Relevant to Family Firms
SEBI (LODR) Regulations, 2015, Reg. 17	Minimum one-third independent directors on the board; at least 50% independent directors where the chairperson is a promoter/executive or is related to the promoter.
SEBI (LODR), Reg. 17(1A)	No person above age 75 may continue as a non-independent director without a special resolution — directly relevant to founder-patriarchs staying on family boards.
Companies Act, 2013, Sec. 177 & 188	Audit Committee approval mandatory for related-party transactions; arm's-length and ordinary-course exemptions narrowly defined.
SEBI (LODR), Reg. 23	Shareholder (minority) approval required for material related-party transactions above prescribed thresholds, with related parties abstaining from voting.
Companies Act, 2013, Sec. 149	Mandatory appointment of at least one woman director on the board of every listed company.
SEBI (LODR), Reg. 24A	Annual Secretarial Compliance Report and Secretarial Audit Report (Form MR-3) for top listed entities, covering board and RPT compliance.

Table 1. Key SEBI (LODR) and Companies Act, 2013 provisions bearing on family-firm governance.

The regulatory logic is fairly explicit: rather than banning concentrated ownership, which would be both impractical and arguably counterproductive given the patient capital family owners often provide, the framework tries to build procedural friction around the moments where controlling families are most likely to extract private benefits — board appointments, chairmanship, and related-party dealings. Whether that friction is sufficient is a separate, empirical question, taken up in Sections 5 and 6.

4. Ownership Concentration: Evidence from Listed Family Firms

To ground the discussion in current numbers rather than received wisdom, Table 2 reports promoter (fami

ly) shareholding for eleven prominent NSE-listed companies commonly identified as family businesses, drawn from the latest available quarterly shareholding-pattern disclosures as of mid-2026.

Company	Founding Family	Sector	Promoter/Family Holding (%)
Wipro Ltd.	Premji	IT Services	72.6
Godrej Industries Ltd.	Godrej	Diversified/FMCG holding co.	74.6
Sun Pharmaceutical Industries Ltd.	Shanghvi	Pharmaceuticals	54.5
Godrej Consumer Products Ltd.	Godrej	FMCG	53.0
Asian Paints Ltd.	Choksey/Dani/Vakil/Choksi	Paints & Coatings	52.6
Britannia Industries Ltd.	Wadia	FMCG (Food)	50.6
TVS Motor Company Ltd.	Srinivasan	Automobiles	50.3
Reliance Industries Ltd.	Ambani	Energy/Retail/Telecom	50.0
Hero MotoCorp Ltd.	Munjal	Automobiles	34.7
Dr. Reddy's Laboratories Ltd.	Reddy	Pharmaceuticals	26.6
Mahindra & Mahindra Ltd.	Mahindra	Automobiles/Conglomerate	18.4

Table 2. Promoter/family shareholding in select family-controlled listed companies (latest quarterly disclosures, 2025–26). Compiled from exchange shareholding-pattern filings and Screener.in.

Two things stand out. First, the range is wide — from Wipro's 72.6 percent, which leaves the Premji family with effective veto power over any special resolution, down to Mahindra & Mahindra's 18.4 percent, which is closer to what one would expect of a widely-held professionally managed company than a 'family firm' in the textbook sense. Second, and this is the more interesting methodological point, promoter shareholding percentage and family control are not the same variable. M&M's low promoter float does not mean the Mahindra family has stepped back from governance; Anand Mahindra remains non-executive chairman and the family's influence operates through board composition, brand identity, and informal authority as much as through registered shareholding. Conversely, high promoter holding at firms

like Godrej Industries (74.6 percent) or Wipro reflects deliberate retention of control rather than an absence of professionalisation — Wipro, despite its concentrated ownership, has been run by non-family CEOs since 2016.

This distinction matters for anyone doing empirical governance research on India: models that use promoter shareholding as a simple proxy for 'family control' risk misclassifying firms like M&M as non-family and firms like Wipro as management-dominated family firms in a way that obscures rather than clarifies the governance story. A more accurate classification would combine shareholding data with board-seat occupancy, chairmanship, and founder-name attachment — the qualitative markers of control that a shareholding percentage alone cannot capture.

5. Board Leadership Structure and Chair-CEO Separation

Separation of the chairperson and CEO roles is one of the more visible governance signals available to outside investors, and it is a domain where Indian family firms have moved noticeably over the past decade, partly under regulatory nudging and partly under pressure from proxy advisory firms such as IiAS and institutional investors who increasingly vote against combined roles at annual general meetings.

Company	Board Chair	CEO / Managing Director	Chair-CEO Separation
Reliance Industries	Mukesh Ambani (family)	Same individual	Combined
Wipro	Rishad Premji (family, Exec. Chairman)	Srinivas Pallia (non-family)	Separated
Sun Pharma	Dilip Shanghvi (family)	Same individual (MD)	Combined
Mahindra & Mahindra	Anand Mahindra (family, non-exec.)	Anish Shah (non-family)	Separated
TVS Motor	Venu Srinivasan (family)	Sudarshan Venu (family, MD)	Separated, both family
Godrej Consumer Products	Nadir Godrej (family)	Sudhir Sitapati (non-family)	Separated
Britannia Industries	Nusli Wadia / family board seat	Varun Berry (non-family)	Separated
Hero MotoCorp	Pawan Munjal (family)	Historically same individual	Combined; board restructured 2022

Table 3. Board chair and CEO/MD leadership structure, select family-controlled companies (based on latest public disclosures; leadership roles are subject to change and should be verified against current filings).

The pattern in Table 3 is instructive. Several of the larger, more institutionally-owned family firms — Wipro, Mahindra & Mahindra, Godrej Consumer, Britannia — have separated the chair and CEO roles, typically by keeping a family member as chairperson while installing a professional, non-family CEO or

MD. This is often described in the Indian governance literature as a hybrid model: the family retains strategic and cultural stewardship through the chairmanship while delegating operational authority. TVS Motor represents a variant of this — chair and MD are both held by family members from different generations, which separates the roles nominally but keeps decision-making inside the family. Reliance and Sun Pharma, by contrast, retain combined chair-MD roles held by the founder or controlling shareholder, a structure SEBI's LODR regulations tolerate only if independent directors constitute at least half the board — a requirement both companies satisfy on paper, though critics such as proxy advisory firms have periodically questioned whether board independence in substance keeps pace with independence in form when the chairperson also controls board nominations.

Hero MotoCorp is worth flagging separately: the company faced public governance scrutiny in 2022 following a Serious Fraud Investigation Office probe into alleged irregular payments, which prompted board-level changes even though the combined chair-CEO structure under the founding family persisted through much of that period. The episode is a useful reminder that formal separation of roles is a necessary but not sufficient condition for effective oversight — a board can be technically independent-director-majority and still fail to catch or act on governance red flags in time.

6. Distinctive Governance Challenges in Family Firms

6.1 Succession

Succession is the governance risk most specific to family firms and the one general corporate-governance codes are least equipped to address, because it is as much a family-relationship question as a corporate one. India has seen this play out publicly and expensively: the Ambani brothers' split of the Reliance empire in 2005, the protracted Tata-Mistry boardroom battle that, while not a family-succession dispute in the strict sense, exposed how founder-family trusts can dominate ostensibly professional boards, and less visible but equally consequential succession transitions now underway at firms like TVS Motor and Godrej as founding-generation leaders hand control to grandchildren and great-grandchildren of the original founders. Family constitutions, succession committees, and staggered leadership transitions are increasingly used by larger business houses, but they remain voluntary practices rather than regulatory requirements, and smaller family-controlled listed companies rarely have them at all.

6.2 Related-Party Transactions

Related-party transactions (RPTs) are the primary channel through which controlling families can, in principle, extract value at the expense of minority shareholders — through inflated payments to family-owned suppliers, asset transfers at favourable prices, or intra-group loans that never quite get repaid on commercial terms. SEBI's Regulation 23 amendments, tightened progressively since 2021, now require majority-of-minority shareholder approval for material RPTs and mandate that related parties abstain from voting, which closes off the most obvious route to rubber-stamping. Academic work using Indian data has documented that business-group affiliated firms use intra-group transactions partly as an internal capital market that can substitute for weak external financing access (Gopalan, Nanda & Seru, 2007) — a function that is not inherently exploitative and can genuinely benefit affiliated firms during financing stress, but which is difficult for an outside investor to distinguish from value extraction without granular disclosure.

6.3 Minority Shareholder Protection and Board Independence in Substance

The formal independence thresholds in SEBI's LODR regulations are comparatively strong on paper, but a recurring critique from institutional investors and proxy advisory research is that 'independent' directors at many Indian family firms are frequently long-tenured, personally connected to the promoter family

through professional or social networks, or nominated through processes the promoter effectively controls. This is not unique to India, but the concentration of ownership makes the risk more acute here than in more widely-held markets, because a promoter holding 50 to 70 percent of the stock can, in practice, determine board composition even while nominally complying with independence rules.

7. Discussion: Does Family Control Help or Hurt Firm Value?

The performance question has produced a genuinely mixed literature, and this paper does not claim to resolve it. International evidence, most influentially Anderson and Reeb's (2003) study of S&P 500 firms, finds that founding-family ownership is associated with better accounting and market performance than non-family peers, attributing this to long investment horizons and reduced manager-shareholder conflict. Villalonga and Amit (2006) complicate the picture by showing that the value premium depends heavily on whether the founder or a descendant serves as CEO, with descendant-CEO control associated with value destruction relative to founder-CEO or professional-CEO arrangements. Indian evidence broadly echoes this ambivalence: business-group affiliation has been shown to carry both benefits (internal capital markets, brand reputation, access to credit) and costs (tunnelling, opaque related-party dealing) depending on the group and period studied (Khanna & Palepu, 2000; Sarkar & Sarkar, 2000).

What the ownership and leadership data assembled in this paper suggest is that Indian family firms are not a monolithic governance category. A firm like Wipro, with high promoter concentration but a decade of non-family CEO leadership and a chairperson who has publicly staked his reputation on governance credibility, sits in a different risk category than a firm with combined chair-CEO roles, a thinly professionalised senior team, and a board whose independent directors have sat for a decade or more. Investors, regulators, and researchers alike would do better to assess family firms individually against a checklist of concrete governance markers — chair-CEO separation, RPT volume and disclosure quality, average independent-director tenure, and succession planning — rather than treating 'family owned' as a single risk label.

8. Recommendations

For boards of family-controlled companies, the clearest low-cost step is formal succession and family-constitution documentation, ideally reviewed by the nomination and remuneration committee rather than left as an internal family matter with no board visibility. For regulators, continued tightening of RPT disclosure granularity — moving beyond aggregate transaction values toward transaction-level counterparty and pricing disclosure — would materially improve minority shareholders' ability to assess tunnelling risk. For institutional investors and proxy advisors, a shift toward tracking independent-director tenure and cross-directorships within the same business house, not just headline board-independence ratios, would catch the substance-over-form gap that headline compliance metrics currently miss. Finally, smaller and mid-cap family-controlled listed companies — which typically receive far less scrutiny from proxy advisors and institutional investors than the large-cap names discussed in this paper — deserve more targeted regulatory attention, since governance failures at that end of the market are both more common and less visible.

9. Conclusion

Family ownership is not a governance anomaly in India; it is close to the market default, and the regulatory system has been built around that fact rather than in denial of it. The evidence assembled here — spanning

promoter holdings from under 20 to over 70 percent, and leadership structures ranging from fully combined chair-CEO roles to fully professionalised management under family board oversight — shows a sector that resists easy generalisation. Good governance in this context is less about eliminating family control, which is neither realistic nor obviously desirable, and more about ensuring that the procedural safeguards written into the Companies Act and SEBI's LODR regulations are followed in substance and not merely in form. The firms that manage this distinction well tend to be the ones where families have learned to separate ownership from management without relinquishing stewardship — a balance that is easier to state as a principle than to achieve in practice, and one that will remain the central governance question for Indian capital markets as the founding generation of India's post-liberalisation family businesses hands control to the next.

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