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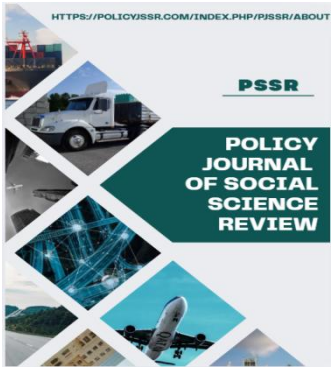

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EVOLUTIONARY PROCESS OF COMPANY LAW AND EVOLVEMENT OF CORPORATE GOVERNANCE

[*1]Murtaza Nawaz, [2]Prof. Dr. Rao Imran Habib

[*1]LLM Scholar, Department of Law, The Islamia University of Bahawalpur

[2]Dean, Faculty of Law, The Islamia University of Bahawalpur

[*1]Murtaza.nawaz@iub.edu.pk, [2]imran.habib@iub.edu.pk

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Corresponding Author: *

Murtaza Nawaz

ABSTRACT

The business role in the economic and social development of a country has been recognized as vital worldwide where, the belief is, the business success translates into the economic well-being of the 'company' that offer job and improved life quality to the residents. However, research on the evolvement of 'company law and corporate governance' the evolutionary process is missing. Therefore, this research paper endeavors to fill this gap into the literature through the development of clear understanding of the evolutionary processes of corporate law and the evolvement of corporate governance in Pakistan and the United Kingdom. The focus remained on the fundamental legal features of the process that deliberates on (i) the separate legal identity, (ii) the limited liability, (iii) the transferable joint stock, (iv) the delegated management, and (v) the investor ownership. Moreover, it also describes how these characteristics emerged in guilds, controlled businesses, and the major mercantilist alongwith the wealthy enterprises. Although, Pakistan remained British colony and both countries were 'common law family' member but the evolvement of the corporation law have been witnessed significantly different in each other. The first corporate law in India was a continual straight importation of English law during the colonial era. However, this legal transplant remained unable to address the regional circumstances as it ignored indigenous business groups. Therefore, the transferred legislation also did not give much consideration to the regulating agencies' issues.

Keywords: *Evolutionary Process, Company Law, Corporate Governance, Legal Transplant, Limited Liability.*

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1. Introduction and Background

For economic and social development, the business plays a vital role that resultantly helps the country in accumulating wealth. The business success translates into the economic well-being of a company which offers job and improved life quality to the residents. The English word "company" has largely superseded the old French term "compagnie", which was first used to describe a sort of business organization in 1150. The English word "company," which historically referred to a group of people who shared a meal, is derived from the Latin term "company" (Com = with or together; panis = bread). The company is a particular kind of commercial entity that has legal status. It has established its existence as such by being granted its legal personality, which is a guarantee of limited liability for shareholders. Therefore, due to the company's limited liability and corporate legal personality, which characterize it as a distinct and independent entity, the shareholders and any other stakeholders are effectively shut off from the firm's daily operations [1].

In addition, it also includes anyone who might be mistakenly believed to be a part of the corporation because of, they are the members or are otherwise involved in its operations but who does not share its body or character, interests, rights, or obligations [2]. Later, the Privy Council had encouraged the City of London authorities to start the process of establishing a policy registration interlocking system and dispute resolution. However, it was 1570s where the substantive rules were introduced initially that also became part of the Merchant Assurances Act[3].

Moreover, for expanding its empire and worldwide trade, the state created a strategy named 'the Financial Revolution' during 1699[4]. The strategy included the National Debt, the stock exchange, and the Bank of England type of inventions. Resultantly, numerous speculative, and occasionally fraudulent, initiatives remained in play. Interestingly, despite the expansion of marine insurance and the availability of new products like fire and life insurance, the phrase "insurance" came to be used to cover up the scams. It maybe because it gave off the impression that something was solid and honest.

2. Research Problem

Company law plays a pivotal role in regulating business entities, fostering economic growth, and ensuring corporate accountability. Pakistan has undergone significant changes and developments over the years. These changes have been influenced by historical evolution, economic and legal framework, from its colonial origins to the

[1] Eric W Orts, *Business persons: A legal theory of the firm* (Oxford University Press, 2013).

[2] Kent Greenfield, "Corporations Are People Too," in *Corporations Are People Too* (Yale University Press, 2018).

[3] Rawlings, Philip. "Bubbles, Taxes, and Interests: Another History of Insurance Law, 1720–1825." *Oxford Journal of Legal Studies* 36, no. 4 (2016): 799-827.

[4] Dickson, Peter George Muir. *The Financial Revolution in England: a study in the development of public credit, 1688-1756*. Routledge, 2017.

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contemporary era, has been influenced by various factors. However, a comprehensive understanding of the evolutionary process of company law in Pakistan remains under explored despite the importance of company law in regulating business entities and promoting corporate governance. There is a lack of comprehensive research that systematically traces the evolutionary process of company law in Pakistan. This research problem calls for an in-depth exploration of the historical trajectory of company law and an assessment of its current state, considering the legal reforms and challenges it has faced.

3. Research Questions

i. How has company law evolved over time, from its origins to the present day?
ii. What were the key historical events and legal milestones that shaped the development of company law?
iii. How has the legal concept of corporate personhood evolved and what are its implications for company law?
iv. What role has corporate governance played in shaping the evolution of company law, particularly in addressing issues of accountability and transparency?
v. How has the concept of corporate governance evolved within company law, and what are the driving forces behind these changes?
vi. What are the emerging trends and challenges in company law, and how are they likely to shape its future evolution?

4. Research Objectives

The objective of this research is to explore and aims to contribute to a deeper understanding of the historical development of company law in Pakistan from its beginning pre-independence to post-independence period, shedding light on legislative reforms, and contemporary challenges to the legal framework. This includes identifying key legislative milestones and examining the factors that influenced the formation of company law and assess the role and functions of the Securities and Exchange Commission of Pakistan (SECP) as regulatory authority. Furthermore, investigate the evolvement and impact of corporate governance including code and, guidelines for best governance and identify the current challenges and issues within Pakistan's company law framework, and to discuss emerging trends and potential areas for future reforms. Additionally, the findings and recommendations will provide help insights for businesses, policymakers, legal practitioners and other stakeholders to enhance the effectiveness and relevance of company law in the Pakistani business landscape.

5. The Evolutionary Process of Company Law in England

5.1. The Bubble Act 1720

The Bubble Act, officially known as the "Bubble Act 1720 (BA)," was a British law passed in 1720 during the reign of King George I. It was one of the most famous and historically significant pieces of legislation related to the regulation of securities, joint-stock companies. Interestingly, the

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subscriptions were sought for "insurance" plans that promised payments upon marriage or childbirth in the years 1710–1711. These were swiftly outlawed; however, it is unclear why they alone were selected for legislative punishment[5]. This was enacted in response to the South Sea Bubble, a speculative frenzy that occurred in England in 1720. The South Sea Bubble was a financial and economic crisis caused by the rampant trading of shares in the South Sea Company, which was given a monopoly on trade with Spanish South America in exchange for assuming a portion of the national debt. As the stock price of the South Sea Company soared and then crashed, many investors suffered heavy losses. The BA was introduced as an attempt to prevent such speculative excesses and protect investors from fraudulent schemes and creation of unincorporated joint-stock companies or corporations without a specific royal charter or an Act of Parliament. This essentially granted a monopoly to the South Sea Company and other existing chartered companies. The BA also imposed penalties on those who formed joint-stock companies without proper authorization as it was fine, imprisonment, or both and in some cases, their assets could be forfeited. Additionally, the BA was contained exceptions, allowing certain companies to be formed without a royal charter or parliamentary act, such as partnerships, banking institutions, and insurance companies. The BA remained in force for nearly a century and was gradually relaxed through subsequent legislation and in 1825 was officially repealed by marking the end of its influence on British company law. Moreover, its repeal paved the way for more modern company laws that facilitated the formation of corporations and the development of the joint-stock company as a dominant form of business organization.

Notably, from the start of the nineteenth century and onward, using inventive means in addition to the three forms of companies (i.e. Companies incorporated by Royal Charter, Companies incorporated by Special Act, and Deed of settlement companies) were specifically permitted by the Act[6].

5.2 The Repeal of Bubble Act 1825

The repeal of the Bubble Act in 1825 was a pivotal moment in the history of British company law and had far-reaching consequences for the development of modern business associations and corporate governance. There are several reasons for repeal of BA for example in early 19th century, there was a growing recognition that the restrictions imposed by the BA were hindering in economic growth and entrepreneurship. Industrialization was transforming the British economy, and there was a need for more flexible forms of business organization. Resultantly all the stakeholders advocated for the repeal of the BA by arguing that it stifled innovation and restricted access to capital. They believed that allowing for the

[5] Ibid., 3.

[6] Freeman, Mark, Robin Pearson, and James Taylor. "'Different and Better? 'Scottish Joint-Stock Companies and the Law, c. 1720–1845." The English Historical Review 122, no. 495 (2007): 61-81.

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formation of joint-stock companies with limited liability would promote investment and economic development; these challenges highlighted the impracticality and limitations of the Act.

In order to stem the onslaught of speculative and frequently fraudulent company flotations that characterized the first two decades of the eighteenth century—of which the infamous South Sea Company[7] scheme is the best-known example—the "panic-stricken" passed the BA. Unprecedented economic expansion and significant structural changes occurred during this time in England, which many now refer to as the "industrial revolution." As the organizations grew larger, both in terms of labor and capital, as risks increased, and as managerial responsibilities became more complex, the functional limitations experienced by these alternative forms of organization, which could not offer all the legal attributes of full incorporation, became more severe. And then, unexpectedly, the legislation was repealed in the early summer of 1825, well after the canal era and the initial dispersion of new technology into the iron and cotton industries but before the railway boom. The repeal marked a turning point in how Parliament viewed joint Stock Companies Act and was an important first step in a process that eventually resulted in the passage of the General Incorporation Act of 1844, the Limited Liability Acts of 1855 and 1856, and the rise of big business, managerial capitalism, and corporate economies after the turn of the century[8] albeit not without its twists.

5.3 The Joint Companies Act 1825

To address the shortcomings of the BA, the British Parliament passed the Joint Stock Companies Act in 1825 which was the significant piece of legislation that The Joint Stock Companies Act of 1825. This Act introduced the concept of limited liability for shareholders in joint-stock companies and the shareholders were not personally liable for the company's debts beyond the amount they had invested in shares. It simplified the process of forming joint-stock companies and was not required royal charters or specific parliamentary approval for incorporation, making it easier for entrepreneurs to establish businesses. Additionally, the Act also included provisions related to transparency and reporting. Companies were required to file annual reports and maintain shareholder registers, enhancing corporate governance and transparency and included some regulatory oversight to prevent fraud and abuse.

5.4 Principal Business Structures in 1825

In 1825, England had several principal business structures, but the regulatory landscape was quite different from today's modern business organizations, resultantly,

[7] Paul, Helen Julia. "Archibald Hutcheson's reputation as an economic thinker: his pamphlets, the National Debt, and the South Sea Bubble." Essays in Economic and Business History 30 (2012): 93-104.

[8] Harris, Ron. "Political economy, interest groups, legal institutions, and the repeal of the Bubble Act in 1825." Economic History Review (1997): 675-696.

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three basic types of businesses [9]were known when the Bubble Act was repealed:

5.4.1 Companies incorporated by Royal Charter

A formal grant made by a monarch using their royal authority is known as a royal charter. Those companies were granted limited liability and certain privileges royal charters by the British Crown. These chartered companies had exclusive rights to engage in specific trades or activities and were subject to government oversight. Notable examples included the Hudson's Bay Company and the East India Company. The Company's quasi-sovereign privileges, such as the ability to impose law and order and administer justice within its overseas settlements, were also granted to it by virtue of its status as a chartered company[10]. The East India Company is examples of two significant turning points in the development of public company were accomplished in the seventeenth century[11]. First, by gathering money from almost 1,000 investors for its 1617 expedition to the Indies, this business allowed the general public to participate in enterprises - "the corporate investor had come"[12]. Second, it raised a perpetual and permanent joint stock in 1650. Up until this moment, its financing had been ad hoc, with trips and business projects being funded separately and through transitory joint stocks that allowed investors to demand their entire investment back[13].

5.4.2 Companies Incorporated by the Special Act

The Special Act companies are a category of corporations created through a specific piece of legislation passed by a country's legislature or parliament. These companies are unique in that they are established through an individualized legal framework provided by the Special Act rather than being formed under general corporate law or regulations. This means that the rules and regulations governing these companies can vary widely from one entity to another and these companies enjoyed limited liability, where shareholders are not personally responsible for the company's debts and liabilities beyond their invested capital. The legislation will outline the company's objectives, activities, and any special privileges or responsibilities. These companies may be established to

[9] Wedderburn, Kenneth William. "The Principles of Modern Company Law. By LCB Gower, Ll. m.(Lond.), Solicitor of the Supreme Court, Sir Ernest Cassel Professor of Commercial Law in the University of London.[London: Stevens and Sons, Ltd. 1954. xl and 574 and index 25 pp. 45s.]." The Cambridge Law Journal 13, no. 1 (1955): 118-123.

[10] Wang, Thomas J., Philimon Gona, Martin G. Larson, Geoffrey H. Tofler, Daniel Levy, Christopher Newton-Cheh, Paul F. Jacques et al. "Multiple biomarkers for the prediction of first major cardiovascular events and death." New England Journal of Medicine 355, no. 25 (2006): 2631-2639.

[11] Turner, John D. "The development of English company law before 1900." In *R*esearch Handbook on the History of Corporate and Company Law, pp. 121-141. Edward Elgar Publishing, 2018.

[12] Cooke, Colin Arthur. COOPERATION TRUST AND COMPANY An Essay in Legal History. Manchester University Press, 1950.

[13] Ibid., 11.

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undertake significant infrastructure projects, manage public assets, or perform other specific functions. Special Act companies may involve a significant degree of government involvement or oversight, depending on their purpose. Some may be wholly government-owned or have government-appointed directors for example East India Company and The Suez canal Company. In England, there were no plans in place for quick and inexpensive incorporation until 1844. Only a special Act of Parliament or a charter from the Crown could grant the benefit of a corporate company and both of these was not simple to obtain.

5.4.3 Deed of settlement companies

A Deed of Settlement, also known as a Settlement Agreement or a Deed of Release, is a legal document used to resolve disputes or conflicts between parties, including companies. It is a legally binding contract that outlines the terms and conditions under which the parties agree to settle their differences and release each other from any further claims or liabilities related to the dispute.

Shareholders were not permitted to enter into legally binding agreements or exercise managerial authority under the deeds of settlement, which served as the unincorporated company's governing instruments. As a result, these corporate entities had delegated administration and separation of ownership and control, with directors or managers chosen by the owners in accordance with the terms established in the deed of settlement. However, third parties with unincorporated companies could not be certain if a specific person had the right to act on behalf of all the other owners, in contrast to third parties with corporations. The common law overlooked deeds of settlement and treated unincorporated corporations like simple partnerships, which caused unincorporated companies problems when they encountered it. As a result, when it came to suing or being sued, all shareholders were treated as partners and designated as plaintiffs or defendants. Unincorporated firms did not have a distinct legal personality as a result of the conflict between what was permissible under equity law in the Court of Chancery and what was permissible under common law.

By signing a Deed of Settlement with an unincorporated firm, the shareholder granted Trustees control over the business' assets, divided them into transferable shares, and appointed directors—who would typically be the trustees—to administer the business and uphold the deed's terms. Commonly, the deed stated that the several parties now owning shares in the company's capital should form and exist as a company with a specific name, a specified capital, and a specified way. Three major drawbacks of the unincorporated Deed of Settlement Company stemmed from the fact that, in the perspective of the law, it was only a partnership, even though it frequently grew to a size that eliminated any prospect of (I) There was no cap on the members' liability for the firm's debts; (2) the company was either being sued or was being sued; (3) the company's property or the property of its

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members was subject to execution; and (4) it was questionable whether even an express provision in the Deed of Settlement could effectively guarantee complete freedom of transferability of shares, while the Bubble Act was still in effect, it was believed that some transfer restrictions were necessary, and even after the Act was abolished in 1825, questions persisted[14]. As a result, share transfers were sometimes expressly prohibited. This, along with the difficulty in selling shares carrying unlimited liability, initially tended to confine the usage of unincorporated Deed of Settlement Companies to groupings of businessmen with shared interests. In light of this, it is noteworthy to note that the term "private company" was in use to distinguish such enterprises from public corporations founded by charter or statute as early as the eighteenth century[15].

5.5 The Companies Acts 1844 to 1907

Succinctly, modern law might be described as a trend away from the total freedom permitted by the 1856 Act, the establishment of strong regulations, and expanded provisions for publicity. This was the fundamental policy of Gladstone's Act of 1844, which has been partially overshadowed in succeeding Acts. The Joint Stock Banking Companies Act of 1857 brought banks within the purview of the Act from the previous year, but without limited liability, which would not be granted until the following year[16], and legislation was passed dealing with director fraud[17]. The joint stock liability Act was the important legislation expanded on the principles of limited liability introduced by the 1844 Act. It allowed shareholders to limit their liability to the amount unpaid on their shares. This concept of limited liability became a cornerstone of company law worldwide.

The Companies Act 1862, also known as Modern Company Law, was the first legislative act with the title "Companies Act." Several enactments were consolidated and amended in this Act, but many of the amendments remained in the original Act until 1908[18]. Five Acts passed between 1856 and 1862, as well as a number of other pieces of legislation, were coupled with the Joint Stock Companies Act of 1856[19]. The first-ever model of registering one's articles with Table A[20] of the first schedule was one of the many amendments included in this company-related first great consolidation Act, which was a masterpiece of drafting. where the winding-up

[14] They were only finally eradicated in 1843: Garrard v. Hardey, 5 Man. & G. 471, 134 Eng. Rep. 648 (C. P. 1843); and Harrison v. Heathorn, 6 Man. & G. 81, 134 Eng. Rep. 817 (C. *P.* 1843).

[15] Gower, L. C. B. "The English private company." Law & Contemp. Probs. 18 (1953): 535.

[16] Conpanies, Joint-Stock. "ART. IX-JOINT-STOCK COMPANIES."

[17] See larceny Act 1861, ss81-84.

[18] Companies Act1867,1879, 1880 and 1900

[19] Game, Chantal S., Lisa M. Cullen, and Alistair M. Brown. "Origins resting behind banking financial accountability of paragraphs 78 to 82 of the First Schedule of the Companies Act 1862 (UK)." Business History 64, no. 3 (2022): 558-582.

[20] Parker, Robert Henry. "Regulating British corporate financial reporting in the late nineteenth century." Accounting, Business & Financial History 1, no. 1 (1990): 51-71.

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restrictions were expanded and limited liability businesses and limitless companies were allowed.

We examine how English corporation law developed before 1900. But to do that, we first need to define what we mean by the corporation. Five fundamental legal features of a contemporary corporation or company are separate legal identity, limited liability, transferable joint stock, delegated management, and investor ownership.[21] When a business or organisation is given legal identity, it is allowed to act independently of its owners and administrators. This makes it possible for businesses to enter into contracts more quickly, to bring and receive lawsuits in the names of the company's officers, to own real estate and assets, and to renounce real estate and assets to creditors[22], underline the significance of the affirmative asset-partitioning function provided by the existence of a separate legal personality, which protects the firm's assets from the creditors of its owners and managers as well as their assets. Without a distinct legal identity, it is extremely difficult to distinguish between ownership and control and to establish a managerial hierarchy, unlike the majority of the business's other aspects, Contrary to Anderson and Tollison's beliefs, independent legal personality cannot be created by private contracts and is ultimately a state gift[23].

5.6 Companies (Consolidation) Act 1908 to 1946

Despite the significant development of the Companies Act of 1862, modern company law was still in its experimental phase from 1862 until 1908, the year; the subsequent consolidation act was passed. *Derry v. Peek*[24] showed that the liability for false claims in prospectuses was the weakest area of company law at the end of the nineteenth century, in which it was determined that Directors who negligently made an inaccurate statement in a prospectus were not liable for damages if they acted honestly and not fraudulently[25].The Directors Liability Act 1890 amended this regrettable choice because the Companies Act 1900 significantly reduced prospectus fraud. Following the 1906 publication of the Loreburn Committee's recommendations[26], The Companies Act of 1907, which was passed by Parliament, made numerous changes to the Law. The Companies Act, the second major consolidation statute that was

[21] Ibid., 11.

[22] Hansmann, Henry, and Reinier Kraakman. "Organizational law as asset partitioning." European Economic Review 44, no. 4-6 (2000): 807-817.

[23] Anderson, Gary M., Robert E. McCormick, and Robert D. Tollison. "The Economic Organization of the English East India Company." Journal of Economic Behavior & Organization 4, no. 2-3 (1983): 221-238.

[25] [*1932*] *1 K.B. 442* Page 444 It was admitted that every statement in the prospectus, in itself, was true

[26] The Loreburn Report, or the Report of the Company Law Amendment Committee (1906) Cd 3052 was a report to the UK Parliament on the reform of company law. It discussed various issues of corporate financial reform.

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passed between 1862 and 1908, was then combined with the Acts of 1907 and 1862. A private corporation is defined by its articles under the 1908 Act, which restrict the transfer of its shares, limit its membership to 50, and forbid any solicitation to the public to subscribe for the firm's shares or debentures.

The Board of Trade had made it a routine at the end of the nineteenth century to select an expert committee to study Company Law every 20 years and to implement its suggestions through a statute that was promptly repealed and incorporated into consolidating Act[27]. The Prevention of Fraud (Investment) Act of 1939, which was based on the recommendations of the Bodkin Committee on share-pushing and the Anderson Committee on unit trust, was the most important of these Green Committee recommendations that were implemented by the Companies Act of 1929[28], which was then superseded by 1958 Act of the same name (as revised by the 1947 Companies Act). This Act established oversight over takeover bids, takeover brokers and dealers, and the unit trust market. However, during the war years, the government imposed restrictions on capital raising. The Borrowing (Control and Guarantee) Act of 1946 gave the authority to the government to exercise these restrictions on a semi-permanent basis. This practice was repeated when companies were formed and charters were granted or denied based on the government's perception of the public interest. Now, the government also has the authority to grant or deny the right to raise capital in the same manner.

6 Corporate Law in the Colonial Period

The effect of "legal families" or "legal origins," which are classified as either belonging to the common law family or the civil law family, is highly significant in corporate law. By reviewing the evolutionary process of corporate law in India from its inception during the colonial period until its emergence[29], it can be shown that this country, which was a part of the larger British Empire and undoubtedly belongs to the "common law" family [30], has a rich history. Indian corporate law is an excellent context for the study of legal transplants because it was originally a copy of English business law[31].

6.1 Modern Business Corporation in India

In India, business organizations are not a particularly new development. They existed in ancient India in one kind or another. they exhibited certain characteristics of a contemporary corporation, at least in a limited form, despite the fact that they were mainly

[27] Morrison, David. "An Historical and Economic Overview of the Insolvent Trading Provision in the Corporations Law." International Trade & Business Law 91 (2002).

[28] Milman, David. "Bibliography and general literature on shares." In The Company Share, pp. 181-198. Edward Elgar Publishing, 2018.

[29] Wilson, Dominic, and Roopa Purushothaman. "Goldman Sachs Global Economics Paper No. 99: Dreaming With BRICs: The Path to 2050." (2003).

[30] Varottil, Umakanth. "The evolution of corporate law in post-colonial India: from transplant to Autochthony." *Am. U. Int'l L. Rev.* 31 (2016): 253.

[31] De Cruz, Peter. *Comparative law in a changing world*. Routledge-Cavendish, 2008.

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guilds or associations of entrepreneurs or artisans engaged in a similar activity[32]. However, these economic models disappeared amid the numerous invasions and other commotions that occurred before European traders arrived in India at the end of the sixteenth century[33]. The founding of the English East India Company ("EIC") in 1600, which was given a Royal charter that effectively established a monopoly to trade in India, is responsible for the creation of the modern business corporation in that country. Since then, many English businesses have started operating in India and have been granted similar advantages[34]. It appears that for about two and a half centuries, businesses were started and operated in India without the need for a precise set of laws to govern them. Given the EIC's "relentless hostility" to the granting of any charters for enterprises in India, it was practically hard to start businesses there, especially banks[35].

It wasn't until 1850, with the passage of the Act for Registration of Joint Stock Companies, that India saw the introduction of specific company law[36]. This legislation, which was modelled after England's Companies Act of 1844, sets in an era in which legislative advancements in the business sector in India just kept pace with those in England[37]. In other words, the Act of 1850 stated that registration was only optional because it bestowed certain benefits. Indian corporate law operated as a continuous transplant of English law, this pattern persisted for more than a century[38]. Because the idea had not yet gained traction in England, limited liability was not one of these privileges. The Act of 1850, which established crucial legal provisions for the management of joint stock companies for the first time, marks an important turning point in the history of Indian corporate law. However, given its optionality and the absence of limited liability protection for shareholders, it was rather ineffective[39]. Although banks and insurance companies were not covered by this protection, limited liability was first established in England through the Joint Stock Companies Act of 1856[40]and the imposition of greater controls and increased provision for publicity as the basic policy of Gladstone's Act of 1844, which has suffered partial eclipse in later Acts. In 1857, this legislation was amended legislation by granting limited liability

[32] Ibid., 42.

[33] Rungta, Radhe Shyam. The rise of business corporations in India, 1851-1900. No. 8. CUP Archive, 1970.

[34] Rosen, Robert C. "Myth of Self-Regulation or the Dangers of Securities Regulation without Administration: The Indian Experience." J. Comp. Corp. L. & Sec. Reg. 2 (1979): 261.

[35] RUNGTA, supra note 25, at 36.

[36] Ibid., 42.

[37] Vasudev, P. M., and Praveen B. Malla. "Special Feature: Indian Corporate Governance."

[38] Ibid., 45.

[39] Kolsky, Elizabeth. "Codification and the rule of colonial difference: Criminal procedure in British India." Law and History Review 23, no. 3 (2005): 631-683.

[40] Vasudev, P. M. "Corporate law and its efficiency: a review of history." The American Journal of Legal History 50, no. 3 (2008): 237-283.

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protection to businesses other than banks and insurance companies and was passed in India the same year[41].

The Act of 1860 granted Indian banking businesses the advantage of limited liability in accordance with English law from 1858, but insurance companies were not given the same privilege. The pattern of emulating English law continued even shortly after[42]. In the English Companies Act of 1862, a new law "for consolidating and amending the 'laws relating to incorporation, regulation, and winding up of Trading Companies and other Associations'" was enacted in India in 1866. This law also provided insurance companies with the benefit of limited liability. This consolidation effort's objective was to keep pace with the English Act[43]. The Companies Act of 1882, which combined the improvements made to English law in the early 1860 and made them appropriate for the Indian context, was another attempt at consolidation in India[44]. Up until the first decade of the twentieth century, five separate sets of changes were made to the Companies Act of 1882. Then, in response to the English Companies (Consolidation) Act of 1908, a new piece of law known as the Companies Act of 1913 was passed in India[45]. It was acknowledged that "in some particulars, the Indian Act deviated from the English Act," but that overall, it was "a near replication of the English Act in its equivalent provisions, as were prior Acts"[46].The Companies (Amendment) Act, of 1936 was subsequently passed after the English Companies Act of 1929 was passed, and it made substantial changes to Indian law. The Indian legislature's decision to start an amendment process rather than implement legislation similar to that of 1929, England is one of the effort's unique features; this decision represents the first indication of reluctance to make a complete change. According to the Statement of Objects and Reasons of the 1936 amendments, it was decided not to adopt the English legislation in its entirety because of some unfavorable criticism it received as well as because issues unique to India had to be addressed, particularly those relating to the managing agency system[47]. The judiciary also started to reflect this pattern, although courts frequently referred to English judgements during the colonial era[48]. They now understood that

[41] Cox, Edward William. The New Law and Practice of Joint Stock Companies, with and Without Limited Liability. By Edward W. Cox.... Etc. Law Times Office, 1857.

[42] Carey, Lewis J. "The Transportation Revolution, 1815-1860." (1952): 601-603.

[43] Rattigan, W. H. "The influence of English law and legislation upon the native laws of India." Journal of the Society of Comparative Legislation 3, no. 1 (1901): 46-65.

[44] Birla, Ritu. Stages of capital: Law, culture, and market governance in late colonial India. Duke University Press, 2009.

[45] Verma, Shraddha, and Sid J. Gray. "The development of company law in India: The case of the Companies Act 1956." Critical Perspectives on Accounting 20, no. 1 (2009): 110-135.

[46] Ibid.

[47] Singh, Guru Prasanna. Principles of statutory interpretation. Wadhwa Pvt Limited, 1999.

[48] Ibid.

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"where there is a positive act of the Indian legislature, the proper course is to examine the language of that statute and to ascertain its proper meaning uninfluenced by any considerations derived from the prior state of the law—or of the English law upon which it may have been founded"[49].The Indian Companies Act, of 1913 had several more amendments between 1936 and Indian independence, mostly to correct some flaws in the law and partly because of constitutional developments like the passage of the Government of India Act, of 1935. This stance persisted up until India's independence, which called for another round of reforms[50].

6.2 Corporate Lawmaking's Effects During the Colonial Period

English corporate law was introduced into India during the colonial era, but more for British commercial purposes than to broadly update Indian corporate law. In India, English company law served as a tool for market control, akin to "colonial laissez-faire"[51]. The intention of bringing English company law to India was to increase trade between the two countries, which could be done if the two countries' corporate laws were equal[52]. In other words, it was thought that familiarity with Indian corporate law would lessen the trading risk for British enterprises with that colony. The Joint Stock Companies Act's Statement of Purpose and Justifications, 1856[53] both the Companies Act of 1882 and the idea that the law in England and India should be the same featured a section devoted to it. Rungta's analysis is categorical: "An unintended consequence of introducing English law into India to support British corporations was that it frequently conflicted with the interests of regional corporations[54]". It gave little thought to the requirements of indigenous business structures based on kinships, such as the Hindu Undivided Family (HUF), or other kinship-based company forms[55]. For instance, when the Companies Act, of 1882 mandated that all "partnerships" engaging in commerce with more than twenty people must be registered as a company under that Act, it was debatable whether this requirement actually served to entangle these regional business structures[56]. In this sense, not only did the imported corporate legislation in India fail to take into account the needs of vernacular company forms, but it frequently went against them as well. The transplanted law was created with the intention of serving British traders and liberating commerce "from the constraints of tradition and ancient

[49] Officer, Administrative, Head Quarters, and Eastern Command V. Paresh. "Table of Cases Cited." Cal 548:294.

[50] Darraj, Susan. The Indian Independence Act of 1947. Infobase Holdings, Inc, 2021.

[51] Birla, supra note 51, at 243.

[52] RUNGTA, supra note 25, at 68; McQueen, supra note 19, at 10

[53] Ibid.

[54] Ibid., 42.

[55] Ibid.

[56] Ramsay, Ian M. "Company law and the economics of federalism." Federal Law Review 19, no. 3 (1990): 169-202.

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customary rules"[57], it essentially adopted a free-market philosophy. This was in line with what was happening in England at the time[58]. The colonial era saw the employment of legislation as a tool to promote trade. As noted by Birla, "I would like to reconsider the performance of colonial sovereignty, this time as a staging of market actors and as an implementation of a particular kind of colonial laissez-faire," which is evident in legal frameworks that standardize the "free circulation" of credit and goods, especially in the institutionalization of the law of contracts as the primary mode of market exchange[59].

In conclusion, the continual introduction of English law into India starting in 1850 and continuing up until independence was driven by the need to make it easier for British companies to conduct business with India, for which it embraced a free-market philosophy. In one way or another, each of these had a negative impact on regional business structures. The growth of the governing agency in India exhibits little resemblance to that in England, notwithstanding the close cross-referencing of Indian developments with those in England. Without a study of the idea of management agency, which also attracted a lot of attention from legislators throughout the postcolonial era, any history of corporation law in India would be lacking.

6.3 Corporate Personhood

The legal concept of corporate personhood has evolved over centuries and varies from one jurisdiction to another. In England, as in many other common law jurisdictions, corporate personhood has a rich history and several implications for company law. It can be traced back to medieval England when corporations were first recognized as legal entities separate from their members. This recognition allowed guilds, religious organizations, and other associations to own property, enter into contracts, and sue or to be sued in their own names. Moreover, The Limited Liability Act of 1855 played a significant role in in the development of corporate personhood while introducing the concept of limited liability for shareholders and allowed that companies to be treated as separate legal entities and distinct from its shareholders. In the meanwhile the landmark case of Salomon v. Salomon & Co. (1897) established the principle of corporate personality in English law, where the House of Lords held that a company is a separate legal entity and this decision reinforced the concept that a company has its own legal rights and liabilities. Companies have the capacity to enter into contracts, and these contracts are binding and allow the companies to conduct business transactions and engage in various activities. Unlike individual humans, a company has perpetual existence, which means it can continue to exist even if its shareholders or directors change over time.

[57] Pistor, Katharina, Yoram Keinan, Jan Kleinheisterkamp, and Mark D. West. "Evolution of corporate law: a cross-country comparison." U. Pa. J. Int'l Econ. L. 23 (2002): 791.

[58] Berkowitz, Daniel, Katharina Pistor, and Jean-Francois Richard. "The transplant effect." Am. J. Comp. L. 51 (2003): 163.

[59] Ibid., 69.

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This is important for the continuity of business operations. However, it's important to note that the specific legal framework and implications may continue to evolve in response to changing economic, social, and legal conditions.

6.4 The Managing Agency System's evolution

The informal commercial systems based on kinship and family abound in Indian business history[60]. However, when a group of businesspeople without any familial or kinship ties came together to invest money in a new idea, and only a few of them had the abilities and drive to commercialise the idea by managing the operations, it became necessary to entrust the management of the company to the qualified and motivated businesspeople[61]. The company's daily operations weren't something that the passive investors were interested in or had the time for. A system where some investors quickly acquired control of the colonial Indian corporate sector arose as a result. They began seizing control of a variety of industries, mainly in the East of the nation, such as cotton, jute, and tea[62]. In her research on business, race, and politics in India through the managing agency system, Maria Misra finds that British enterprises predominated rather than Indian ones[63]. As an outcome of their extensive involvement in Indian business, they controlled the colonial community in the country[64].

They controlled the managing agency structure, which was initially created out of need and was primarily intended to encourage efficiency, rapidly sparked criticism. Due to their extensive involvement in Indian commerce, it posed the risk of a serious mafia community in the country[65]. The management agents began to benefit themselves at the expense of the passive investors, who were unable to stop them, as a result of the information asymmetry problem. The granting of proxies by non-voting shareholders enhanced the management agents, who already enjoyed a high degree of operational autonomy[66]. Overall, management agencies invested modest amounts of money in businesses but obtained undue influence over them, making them powerful players in the economy but also vulnerable to misuse[67].

That No direct legislative or regulatory edict stood in the way of the management agency system's early years of operation. This is an example of the inefficiencies brought about by imported legislation that doesn't take local conditions into account. Because the misuse of

[60] Ibid., 42.

[61] Ibid.

[62] Goswami, Omkar. "Sahibs, babus, and banias: Changes in industrial control in eastern India, 1918–50." *The Journal of Asian Studies* 48, no. 2 (1989): 289-309.

[63] Misra, M. (1999). *Business, race, and politics in British India, c. 1850-1960.* Clarendon Press.

[64] MISRA, *supra* note 70, at 4

[65] Rosen, *supra* note 27, at 264

[66] Singh, Shivansh. "Legal Transplant to Decolonization in the Evolution of India's Corporate Legislation." *Indon. JLS* 3 (2022): 49.

[67] *See infra* Part IIIC 1.

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the managing agency system was primarily a local Indian problem and did not attract the attention of lawmakers in England, the transplanted law gave short shrift to those issues and did not offer any protection to shareholders of companies that were subjected to mismanagement under the managing agency system. It's also probable that British companies' dominance as managing agents prevented India from mustering the requisite political resolve to control them[68]. It wasn't until the very last days of the colonial era that the controlling agency structure received official legislative sanction. The Companies (Amendment) Act of 1936, which was the first to at least largely depart from English corporation law in response to abuses associated with the managing agency structure, was passed in response to these abuses[69], limited the period of the managing agency contract and also made it possible for the managing agent to be fired for good reason in an effort to add some checks and balances[70].

The management agency system is a representative example of the legal phenomenon that occurred in colonial India when legal transplants using legislative mechanisms failed to take into account regional social and economic factors. Transplants, whose purpose was covertly to favour British interests over local ones, made this situation worse. Before some modifications began to emerge in 1936, this pattern remained for over a century. The impacts of decolonization, which occurred after India won its independence from the British in 1947, must now be examined after looking at the transplant phenomenon during the colonial era. As a result, India and Pakistan first appeared on maps of the world as separate states in 1947.

7. Evolvement of Company Law in Pakistan

7.1 Companies Acts in Pakistan from 1947 to 1984

In certain nations, formal business law was imported rather than developed domestically in Pakistan approved the Companies Act of 1913 which was applicable in Pakistan by order in 1947 after achieving independence from the British Raj. Subsequent revisions to the Act were made to various sections, and on March 26, 1949, the Ordinance Order, 1949, which had been in effect since 1947, finally took effect. The President's Order No. 2 of 1972, which directed the election of directors by a cumulative system of voting, was issued in January 1972 and abolished the managing agent system of business administration. The Companies (Amendment) Act, 1973 was passed on September 26th, 1973, to make Sections 248 and 277 more in line with the new constitutional structure. The Companies (Appointment of Legal Advisors) Act, 1974, which took effect on March 1st, made it mandatory for every company to hire one legal advisor on a retainer basis. The Companies (Amendment) Ordinance LXII of

[68] MISRA, *supra* note 70, at 7-8.
[69] Ibid., 59.
[70] Ibid., 45.

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1979 further revised the Companies Act of 1913.

7.2 The Companies Ordinance 1984

In 1959, the government instituted a committee for additional changes in Companies Act and Mr. I.I. Chundigar was appointed as its chairman. Chundigar passed away, and Sharifuddin Peerzada was appointed to lead the committee as chairman. The commission's terms of reference have a clearly described five points agenda[71] that must need to take into account the Registrar of Companies' current authority. The Agenda points were as follows:

i. To evaluate the Firms Act of 1913's measures to improve the allure of companies;
ii. To determine whether the managing agency should be abolished or not, as well as the shareholders and management's respective levels of control;
iii. To take into account and suggest a change to the Act that could better protect the interests of the public and shareholders;
iv. To propose strategies for promoting Pakistan's joint stock business system;
v. To propose amending the Act to provide for the regulation of foreign firms, the association of indigenous and foreign capital, and the invitation of foreign capital;

The committee delivered its findings in 1961[72], and on the Law Commission's advice, but it wasn't until 1980 that any real progress was made. The commission's recommendations were not followed, and the Companies Act of 1913 was in effect until the 1984. For the purpose of gathering input from interested parties, the initial draught of the firms' ordinance was published on December 20, 1980. On October 8, 1984, the corporate law officially known as "The Companies Ordinance, 1984 (XLVII of 1984)" was published[73]. The Companies Ordinance of 1984 was Pakistan's first corporate law, however its roots go back a long way to British law, nevertheless, there have occasionally been changes made.

With the exception of exceptional situations, the Ordinance established a quick procedure for issues affecting corporate ordinances and requires that cases be heard every day. The court also had a 90-day deadline to decide the case. Additionally, the appeal against the court's order must be resolved within 90 days of its submission[74]. The following significant

[71] Tauseef Iqbal et al., "Legal Developments in the context of Company Law, in particular Directors' Duties in the Era of Managerialism: A Case study of US, England, France, and Pakistan," *Journal of the Research Society of Pakistan* 58, no. 1 (2021).

[72] Iqbal et al., "Legal Developments in the context of Company Law, in particular Directors' Duties in the Era of Managerialism: A Case study of US, England, France, and Pakistan."

[73] Companies Ordinance, Companies Ordinance, 1984 (XLVII of 1984). (1984).

[74] Iqbal, Dr. Tauseef, Dr. Muhammad Mumtaz Ali Khan, Asim Iqbal, and Ikram Ullah. "Modern Company Law Concept in Comparative Perspective: The Role of

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amendments to company law were made in 2002 through two changes. In order to address the needs of the financial sector, the second amendment added a new section VIII A and introduced non-banking financial firms (NBFCs), while the first amendment changed the text of the ordinance[75]. In the year 2007 the amendments in section 104 of CO 1984 also had an impact on some reforms, particularly those involving NBFCs. Further amendments to the Companies Ordinance of 1984 were made in the years 1991, 1999, and 2002 as well as periodically through other Finance Acts. The piecemeal nature of the revisions led to overlap and disconnect in the regulatory structure [76].

The establishment of The Securities and Exchange Commission of Pakistan (SECP)

The establishment of SECP through SECP act 1997 was a significant step which was the updated version of Corporate Law Authority (CLA) to strengthen the function of regulator in corporate sector. On January 1, 1999, SECP began operations, since then, it has been granted extensive investigative and enforcement powers, including the ability to supervise and regulate the business sector, the stock market, insurance companies, non-banking financing companies, and private pension plans. The role of SECP also includes oversight of numerous outside service providers to the corporate and financial sectors, such as chartered accountants, credit rating agencies, corporate secretaries, brokers, surveyors, etc…[77].

7.3 The Companies Act 2017

The company ordinance was insufficient to provide the optimal regulatory environment for the corporate sector despite continual improvements to the company legislation, forcing a reform of the law and keeping in view of the economy's dynamism, it is the regulator's duty to continuously modify laws and regulations in order to reduce the initial effects of numerous external and internal shocks. The first corporate law in Pakistan was the Companies Ordinance of 1984, and more than three decades have since passed. After this time, Pakistan's economy saw major shift[78]. A new and enhanced version of company law was required by the economy's altered dynamics. With this in mind, the regulator, SECP, began developing a new companies' law.

In order to effectively regulate the whole business sector, it was necessary to extensively review the current legal system. In 2005, the Commission made the decision to establish the Corporate Laws Review Commission ("CLRC"), which was presided

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Contractarian Theory." *Journal of the Research Society of Pakistan* 58, no. 2 (2021): 260.

[75] Companies (Second Amendment) Ordinance 2002 of 15th Nov 2002

[76] "THE COMPANIES BILL 2017 HISTORICAL PERSPECTIVE," Business Recorder, 2017, accessed 26 Jan 2023, 2023, https://fp.brecorder.com/2017/05/20170526182234/.

[77] Shahid Hussain and Nabeel Safdar, "Tunneling: Evidence from family business groups of Pakistan," *Business and Economic Review* 10, no. 2 (2018).

[78] Recorder, "THE COMPANIES BILL 2017 HISTORICAL PERSPECTIVE."

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over by former Pakistani Chief Justice Mr. Justice (R) Ajmal Mian and other esteemed experts. Under the leadership of the then-Chairman SECP and other voluntary members of CLRC, a subcommittee was also established to identify concerns that needed to be addressed. The CLRC also decided to develop a concept paper that will outline the organization's future course, enabling the corporate sector to develop gradually and strengthening corporate compliance. They also agreed to investigate new standards for company law across different jurisdictions and to solicit feedback from interested parties, such as the business community, representative organisations for accountants and attorneys, and the general public.

Moreover, they also created a comparison statement of laws and sent letters requesting comments to the top professional associations, law firms, stock exchanges, chartered accountants, bar associations, and chambers of commerce and industry. On 25th May 2006, the concept paper was presented to the Commission. The CLRC decided in March 2007 that a new Company Bill would be created rather than only making suggestions for amendments to the current Companies Ordinance, 1984[79]. To help Mr. Salman Raja, who was tasked with drafting the new Companies Bill, a subcommittee was also established. The CLRC received the Bill's first draught in 2011 and discussed each clause in detail. To add experience and knowledge to this historic endeavour, the CLRC was once again redesigned in 2012 and the team comprised prominent individuals from various walks of life[80].

Although it was decided that the CLRC would operate under the leadership of Honorable Chief Justice of Pakistan (Retd.) Ajmal Mian and that The SECP would serve as the commission's host, the work on the new Company Bill was put on hold for a variety of reasons. After assuming control of SECP in 2015, Mr. Zafar ul Haq Hijazi, the organization's new chairman, made it his mission to update Pakistan's dated legal system, which had been a major roadblock to the growth of the country's corporate sector. The Commission agreed in April 2015 that the Company Bill would be reviewed and approved under stringent time constraints with the assistance of an internal Committee of experts and input from relevant departments in order to complete the enormous task. In a record-breaking six months, the internal assessment of the draught Companies Bill was finished. It is important to note that numerous relevant legislation from overseas jurisdictions were carefully considered when the Bill was being finalised. On December 6, 2015, the Commission posted the draught Companies Bill on its website for the first time in order to get feedback from the general public.

In addition, the Commission performed in-depth consultations with significant

[79] SECP, "CLRC Starts Redrafting Companies Ordinance, 1984," news release, Feburary 14, 2007, Feburary 14, 2007.

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stakeholders. The draught Companies Bill 2017 was introduced in the National Assembly on November 18, 2016, following extensive public consultation and legal review by the Ministry of Law and Justice, and was referred to that same day's Standing Committee on Finance, Revenue, Economic Affairs, Statistics, and Privatization. Finally, the Committee gave the National Assembly a report[81]. The National Assembly passed the bill with broad support on 06 February 2017 after discussing it again and making further adjustments to 20 provisions in order to allay some opposition members' concerns. After being referred to various committees and being introduced in the Senate on February 17, 2017, the Companies Bill as it had been enacted by the National Assembly was finally approved by the Senate on May 15, 2017, along with any revisions. With its five hundred and fifteen sections and eight schedules, the Companies Bill, 2017 is the most comprehensive and lengthy piece of legislation in Pakistani parliamentary history. Its creation took over 12 years[82].

The Companies Law of 2017 was finally passed on May 31, 2017. which was made possible by the passing of the Company Act in 2017[83]. The Act was approved following a careful assessment of many countries, including the UK, India, Australia, Hong Kong, New Zealand, Malaysia, and Singapore. The Act of 2017 makes sure that members can contribute as much as they like.

8. The Evolution of Corporate Governance

The concept of corporate governance evolved within company law in Pakistan by the influence of internal and external factors. Corporate governance (CG) has played a significant role in influencing the evolution of company law (CL), mainly in addressing issues of accountability and transparency. CG denotes to the system of rules, practices, and processes by which a company is directed and controlled. The relationship between CG and CL is complex and interdependent such as CL provides the legal framework for CG practices and regulatory body such as the Securities and Exchange Commission of Pakistan (SECP) is mandated to enforce corporate governance standards and ensure compliance with laws and regulation for protection of the rights and responsibilities of shareholders, directors, and officers, as well as the board structure[84]. CG gives the principles driven by shareholder activism and concerns that influenced the changes in CL to enhance the rights of shareholders. For example, laws and regulations may require increased shareholder access to information and the ability to vote on important matters, such as executive compensation and major corporate

[81] Syed Kashif Saeed and Umer Faiz, Corporate Governance in Pakistan, (Islamabad: Corporate Governance in Pakistan, 2018).

[82] Recorder, "THE COMPANIES BILL 2017 HISTORICAL PERSPECTIVE."

[83] Companies Act, No 19 of 2017 (Pak.)

[84] Tayyaba Noor Asghar, Tom Mortimer, and Muhammad Bilal, "Corporate Governance Codes in Pakistan: A. Review," *Journal of Law & Social Studies (JLSS)* 2, no. 2 (2020).

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transactions and emphasize the composition of board such as independent directors and diversity board for maintaining transparency and accountability. Resultantly, the CL has been amended to include requirements for regular financial reporting, disclosure of related-party transactions, and provisions for internal and external audits and elaborate the fiduciary duties of directors such as the duty of care and the duty of loyalty, which directors owe to the company and its shareholders. It also provides the legal provisions related to liability and enforcement in cases of corporate misconduct, fraud, negligence or breach of fiduciary duty. The Companies 2017 has been developed by adopting International corporate governance standards and best practices like Organization for Economic Co-operation and Development (OECD) and the International Corporate Governance Network (ICGN).

8.1 The Code of Corporate Governance

The CCG's initial draught first appeared in March 2000 after much discussion within the committee after obtaining the essential feedback from the stakeholders is always crucial. As a result, the initial draught was widely disseminated to more than sixty trade organisations, associations, and institutions, as well as a large number of people who were each deemed an authority on the issue. The revised draught of the CCG was presented to the committee in May 2000 after significant comments had been included into the code. Following revisions deemed essential in light of the committee's deliberations, a presentation of the Second Revised Draft was made to the SECP in August 2000. After talks with the SECP, the SECP contributed thoughtful insight to further enable modification and fine-tuning of the document, which was then distributed to the members of ICAP for their feedback. The following six months were spent with this debate, seminar, and workshop process. The CCG 2002 final draught was delivered to the SECP in January 2002 after a lengthy debate that took place during the entire process. The SECP announced the CCG 2002 final version in March 2002 following final review and publication of the draught. In light of this, a direction was given to the nation's three stock exchanges to enforce the same by including the Code in their respective Listing Regulations. The Code of Corporate Governance was first introduced to Pakistan in 2002.

8.2 The Code of Corporate Governance 2012

The first code was released in 2002 and which was for Pakistan's family-based corporate sector, the code of corporate governance was a new experience. CCG 2002 was viewed as a cost-based law by this family-based corporate sector. So, initially, there was a lot of surface conformity, but there were also a lot of people that followed the code's spirit. Less communication from government agencies involved in the business sector was another issue. These organisations used to view themselves as government organisations even though they operate in the private sector, and

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they frequently disregard certain laws. In any event, it was a fantastic start, and Pakistan was leading the pack of developing economies. The establishment of the Pakistan Institute of Corporate Governance was a significant development in Pakistan (PICG).

In order to move forward with the development of the Code, the PICG and SECP collaborated to form a 12-member task force in December 2007[85]. The task force's objective was to assess the current Code and make modifications that would further improve good corporate governance in Pakistan. The team met frequently and went through the 2002 Code clause by clause as they worked on the task. They also welcomed new members who questioned some of the team's presumptions and offered novel perspectives. The discussion called for a study of other international laws and the identification of best practises that might be used in our particular scenario[86].

This institute, which was founded in 2006 and was inspired by SECP, has been instrumental in promoting and educating about excellent corporate governance practises. and the most recent updates were released in 2017[87] and then the same was amended as Code of Corporate Governance (Regulation) 2019[88]Similar to other standards, it places emphasis on the board's objectivity to ensure sound company decisions.

Conclusion

The evolution of company law and the concurrent development of corporate governance in Pakistan represent a dynamic and multifaceted journey that reflects the country's changing economic landscape, global influences, and the recognition of the pivotal role that responsible corporate behavior plays in sustaining economic growth. The company law evolved gradually where civil law and common law countries played a vital role in the evolutionary process. In the initial development process, the concept of separate legal personality and corporate personhood was not established but the British courts and legislature made it possible in England. Eventually, the same was transplanted in India and then in Pakistan after its appearance on the world map which, hence, was the ultimate goal of the state. Despite the fact that both nations are members of the "common law" family and that the Pakistan was formerly a colony of the UK, corporation law in this era has continued to grow and has evolved significantly different from that in England. The first corporate law in India was a continual straight importation of English law during the colonial era. However, such a legal transplant did not account for regional circumstances. For instance, the law ignored indigenous business groups, which had no

[85] 2011 Fuad Azim Hashimi February 1, PAKISTAN'S CODE OF CORPRORATE GOVERNANCE 2002 re-visited by PICG, PICG (Feburary 1, 2011 February 1, 2011).

[87] Listing Regulation of Karachi Stock Exchange (as amended on Jan. 3, 2014) Chapter XI

[88] Asghar, Mortimer, and Bilal, "Corporate Governance Codes in Pakistan: A. Review."

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place in corporation law, in favor of facilitating trade between British and Indian firms. The transferred legislation also did not give much consideration to the regulating agencies' issues, which did not provide any significant issues.This status quo was challenged by corporate scandals and a growing demand for more robust governance structures. The first Company law was introduced in1984 and The Securities and Exchange Commission of Pakistan (SECP) has played a pivotal role in introducing legal reforms and governance codes that mandate improved governance practices, including enhanced disclosure, transparency, and board independence. One of the most significant influences on Pakistan's corporate governance evolution has been the alignment with global best practices and principles. Pakistan has taken steps like as Companies Act 2017 and Code of Corporate Governance to harmonize its governance framework with international standards, such as those established by the OECD, signaling its intent to attract foreign investment and establish itself as a responsible participant in the global business arena. In sum, Pakistan's evolutionary process of company law and corporate governance reflects a commitment to strengthening the foundations of responsible business conduct. While the journey is ongoing, the reforms undertaken thus far demonstrate the country's intent to create a business environment that is transparent, accountable, and aligned with international standards. This trajectory is expected to enhance investor confidence, foster economic sustainability, and contribute to the nation's long-term development. As Pakistan continues to adapt and refine its corporate governance landscape, it stands poised to further participate in the global economy with a renewed commitment to responsible corporate behavior.

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[*1932*] *1 K.B. 442* Page 444 It was admitted that every statement in the prospectus, in itself, was true

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