

E-Voting- A Resurgence in Corporate Democracy

Akinchan Buddhodev Sinha

Assistant Director, ICS-CCGRT &

Research Scholar, IUJ, Ranchi

email: akinchanbsinha@gmail.com

Contact No: +91-22-41021535 / 9819386690

Dr. Manisha Singh

Faculty Member-Finance

IBS Business School, Bangalore,

Karnataka

email: manisha@ibsindia.org

Dr. B.M. Singh

Registrar & Dean

Faculty of Management Studies

ICFAI University Jharkhand

Abstract

It is needless to state that numerous corporate houses meetings are conducted globally every year , in which shareholders are requested to vote on various matters. It is also needless to mention that the botheration of such events, like the manual collection and processing of substantial volumes of votes, as well as the compulsory physical presence requested in several countries for shareholders or representatives sometimes make the corporate voting process somewhat of a burden and discourage minority voting. However, with shareholder activism gaining steam over the years, the voting process has gained paramount importance. Since it is important that votes should fairly represent the long-term interests of all stockholders and with the passage of time minority shareholders have also accepted the fact that voting is not merely an obligation but a robust tool that can be used to make their opinions count.

Thus recognizing the need of wider shareholder participation in the voting process at annual general meetings of corporate houses, the new Companies Act, i.e. Indian Companies Act, 2013 have accorded berth to e-voting. With the notification of Indian Companies Act, 2013 and the Companies (Management and Administration Rules, 2014), companies in India are required to provide the alternative of e-voting in certain cases. In order to ensure compliance, the company is legally required to publish a self-illustrative advertisement regarding the sent notice of voting and general meeting, in the most renowned newspaper in the concerned areas, at least five days prior to the beginning of the voting period, in order to ensure participation of all members of the company in the e-voting process.

In light of growing significance of e-voting, it engenders paramount academic and research interest to explore the various essential facets of e-voting. This article makes an endeavour to study the significance and difficulties of e-voting, with a special emphasis on the usage of e-voting by selected sector based Indian companies.

Keywords: **Twist in the story; E-voting scenario in Selected Sectors; Dark sides of e-voting**

JEL Classification Code: **K2- Regulation and Business Law**

Prologue

With the beginning of electronic age, where the distances around the world have been reduced by the use of internet, the Indian Companies Act, 2013 recognized the need of availing the merits of technology to voting system of companies in order to enable the shareholders to be active in the decision making of the company. In view of this, the new Companies Act mandated the e-voting, wherein a shareholder can vote on the resolutions of a meeting without even being present at the general meeting, from a remote location. The rules pertaining to provisions of e-voting were notified on 23rd of June, 2014. Later Ministry of Corporate Affairs, on 19th of March, 2015 came out with Companies (Management and Administration) amendment rules, 2015, thereby, revising the procedure relating to e-voting.

“Electronic voting system” means a secured system based process of display of electronic ballots, recording of votes of the members and the number of votes polled in favour or against, in such a manner that the entire voting exercised by way of electronic means gets registered and counted in an electronic registry in a centralized server with adequate cyber security. It includes remote e-voting.“Remote e-voting” means the facility of casting votes by a member using an electronic voting system from a place other than venue of a general meeting.

Section 108 of the Companies Act, 2013 (**‘Act, 2013’**) read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (MGT Rules) made it compulsory for every company and company having not less than 1000 shareholders to offer e-voting facility at general meetings.

Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) also provide that every listed company shall offer the facility of remote e-voting for all the shareholders’ resolution. Moreover, in order to ensure consistency between LODR and Companies Act, 2013, Regulation 44 provides that the listed entity shall adhere to the Companies (Management and Administration) Rules, 2014.

The listed entity shall also file the details of voting results to the stock exchange within 48 hours of the conclusion of General Meeting.

Ministry of Corporate Affairs has also issued clarifications on the e-voting, which are as follows-

- 1) Where e-voting takes place, voting by show of hands is not applicable.
- 2) If shareholders choose to vote electronically, he will be allowed to participate physically in the general meetings, but he cannot vote on the resolutions again;
- 3) Where certain items are required to be transacted only by postal ballot it has to be decided only by postal ballot and not at the general meeting;
- 4) In case a person is unable to vote electronically and not able to attend the general meeting also, then he would not get any facility to vote by postal ballot. This clarification is for those items which are not being transacted by Postal Ballot.

E-voting have gained firm footing in corporates too, as corporate houses being driven by the stakeholder's democracy is giving due emphasis upon the use of technology to broaden shareholders participation in the annual general meeting. Moreover, companies having a gargantuan shareholders base demands active involvement and participation by investors in significant decisions exerting an impact on the shareholders, which can be accomplished with assistance of e-voting. E-voting not only provides a boost to corporate democracy.

Annual General Meetings are the best practical expression of democratic form of corporate function. For the shareholders, it is an opportunity of having a constructive dialogue between the management and shareholders. Hence it is important that shareholders meetings are planned and organized properly and are conducted in a constructive, meaningful and transparent manner. Exercising of the voting rights by the shareholders is an invariable tool to hold the board accountable for its activities.

Literature Review

Historically, outside (non-promoter) shareholders, whether retail or institutional, have been passive in India. They hardly participated in shareholders' meetings. In any case, the retail shareholders' minuscule shareholding made their participation less effective. Notably, however, even the institutional shareholders, both domestic and foreign, who could have made a difference, either did not participated in the meetings or, if they did, it was almost always to vote in support of management and the promoters.

In the past some years, regulatory reforms in India have thrown light on fostering shareholder participation fostering shareholder participation in corporate decision making. This has been implemented through a step-by-step approach that addresses various aspects of shareholder participation.

2001: Voting by postal ballot introduced for certain types of resolutions.

2010: Option to companies to hold shareholders' meetings through video conference and other electronic means.

2012: E-voting made mandatory for top 500 companies listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

2013: SEBI introduced significant changes to the listing agreement that are aimed at protecting minority shareholder interests in mergers and other forms of corporate restructuring involving listed companies.

Although shareholders cannot be forced to exercise their corporate franchise, the above mentioned initiatives holds immense potential to motivate retail shareholders to be more participative in shareholder meetings, thereby enhancing their ability to influence the result on the resolutions proposed at the meetings. Certain measures were introduced specifically for institutional investors. For instance, the Securities and Exchange Board of India (SEBI) mandated mutual funds to play a more active role in the corporate governance of companies they have invested in. Asset management companies are required to state their policies on voting in portfolio companies and disclose the specific exercise of voting rights on certain matters. This calls for mutual funds to take a more considered view of their investments (Varottil Umakanth, 2013).

Section 192A of Indian Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001 take cognisance of voting by electronic mode in case of postal ballot. The Ministry of Corporate Affairs (MCA) had considered provisions of Information Technology Act, 2000 for legal validity of compliance under Indian Companies Act, 1956 through electronic mode. Thereafter MCA issued a General Circular No.21 / 2011 on 2nd May, 2011 wherein it was mentioned that in order to have secured electronic platform for capturing precise electronic voting process the agency appointed for providing and supervising electronic platform for electronic voting shall be an agency duly approved by the MCA. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are the only agencies which were approved by MCA for providing and supervising electronic altar for electronic voting subject to a condition that they get a certificate from Standardization Testing and Quality Certification (STQC), Directorate, Department of Information Technology, Ministry of Communications & IT (Singhania & Company, 2012).

The Indian Companies Act, 2013 have empowered the government to prescribe class of companies that must offer e-voting facility to its shareholders. The SEBI said that all listed companies should provide this facility. However, some experts have demurred the move, stating that in milieu of e-voting, actual meetings would become extinct. But it is a misplaced fear given the fact that Indian Companies Act, 2013 even while being futuristic in its love for e-voting has persisted with annual general meetings (AGMs). At AGMs, the following ordinary businesses should be transacted- Considering and passing of annual accounts; Approval to dividend proposal if any mooted by the directors; Appointment of directors in place of those retiring; and Appointment of auditors in place of those retiring. The mentioned annual rituals should be transacted at a brick-and-mortar location in a state where the registered office of a company is situated, which implies that AGMs are not going to be given the quietus under the garb of e-voting as apprehended by some experts (Murlidharan S, 2014).

Ministry of Corporate Affairs vide its notification dated 19th March, 2015 had amended Rule 20 of the Companies (Management and Administration) Rules, 2014 ("hereinafter Rules, 2014") and issued the Companies (Management and Administration) Amendment Rules, 2015 ("hereinafter, Amendment Rules, 2015"). The Rules have been formulated by Central Government under the powers conferred by Section 108 read with Section 469 (1) and (2) of the Indian Companies Act, 2013. The Rules came into existence with effect from 19th of March, 2015.

Rule 20 of the Rules 2014, made a mention of voting through electronic means. The rule requires certain category of companies to provide their members facility for voting by electronic means at general meetings. As per the Sub section (1) of Rule 20 of Rules, 2014, every listed company or a company having not less than 1000 shareholders, shall provide to its members facility to exercise their right to vote at general meetings by electronic means.

The scope of applicability has been amended with the amended Rule 20. Sub Rule (2) of the new Rule 20 provides that every company other than a company referred to in Chapter XB or Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 having its equity shares listed on a recognised stock exchange or a company having not less than 1000 members, shall provide to its members facility to exercise their right to vote on resolutions proposed to be considered at general meetings by electronic means.

Further, new terms have been defined under Rule 20 of the said Rules. These are as follows:

a) Agency: It implies the National Securities Depository Limited, the Central Depository Services (India) Limited or any other organization approved by the Ministry of Corporate Affairs subject to the condition that the National Securities Depository Limited, the Central Depository Services (India) Limited or such other entity has procured a certificate from the Standardization Testing and Quality Certification Directorate, Department of Information Technology, Ministry of Communications and Information Technology, Government of India.

b) Cut-off Date: "Cut-off Date" means a date not earlier than seven days before the date of general meeting for determining the eligibility to vote by electronic means or in the general meeting.

c) Remote E-Voting: "Remote E-Voting" means the facility of casting votes by a member using an electronic voting system from a place other than venue of a general meeting.

d) Voting by Electronic Means: "Voting by Electronic Means" includes "remote e-voting" and voting at the general meeting through an electronic voting system which may be the same as used for remote e-voting".

There is, however, no change in the definitions of terms "Secured system", "Cyber Security" and "Electronic voting system" or "voting by electronic means". (Kapoor Megha, 2015).

At this juncture, it will be pertinent to discuss regarding shareholder meeting practices in some leading economies as it will assist in comprehending the place e-voting has in annual general meeting. The following economies have been considered for the study- Japan, France, United Kingdom and United States of America.

Japan: In Japan shareholders meetings are notorious for the '*sokaiya system*'- the corporate bouncers and share unit system which makes it impossible for retail shareholders possessing few shares to attend meetings. In the share unit system, shareholders are invited to the meetings with regards to number of shares they hold, instead of actual number of shares. In the share unit system, shareholders are invited to the meetings with regards to the number of share units they own, instead of actual number of shares. A share unit typically consists of a number of shares, e.g., 100 or 1000 shares. Hence, a retail shareholder holding fewer shares will not be eligible to attend the shareholder meeting or cast his/her vote. Another bad practice is the holding of AGM of most of the companies on the same date at the same time making it impossible for the shareholder holding shares of multiple companies to attend meetings in each of the companies. However, requisite measures have been initiated by both government and regulatory agencies to address these issues. Now, coming to e-voting, it is important to note that the facility is provided only to foreign and institutional investors through the Tokyo Stock Exchange (TSE) Electronic Voting Platform. However, there is no information on whether or not retail resident shareholders get any e-voting facility. So going by the facts it can be said that e-voting facility is yet to gain ground in Japan and a very much needed process in order to have a robust corporate governance.

France: In France, notice for shareholder meeting is sent at least 15 days before to the meetings through physical copies. It is pertinent to note that electronic means for shareholder communication is not used by corporate houses. E-voting facility is provided mostly by VOTACESS platform; other platforms also offer this service, although the scale is quite less.

United Kingdom: Shareholder communications are quite similar in India and UK. Notices of Meeting are provided at least 21 days before AGMs (Annual General Meetings) and 14 days prior EGMs (Extraordinary General Meetings), in physical form or through emails, if investors opt for it. E-voting facility is provided through sharevote and other platforms. UK based companies also provide the choice to register votes through telephonic voting, though it is used rarely.

United States of America: According to NYSE exchange rules, notices are sent at least 10 days prior the record date for the meeting. There are several vote service providers, such as, Broadridge, ISS, etc., through which investors can cast their votes on resolutions.

In light of the voting practices adhered in shareholders meetings, it is heartening to note that Indian practices are in line with global counterparts. However, the level of involvement from the shareholder's side has not witnessed a big increase. In this regard, e-voting is a welcome step but demands higher level of investor education in order to make them aware of and comfortable to use the facility.

Research Methodology

1) Chi-square test: This non-parametric test will assist in ascertaining whether there is a significant difference or not in the pattern of e-voting in selected sectors (Automobile, Banking and Steel) on selected agenda items- Adoption of Final Accounts; Appointment of Director and Appointment of Statutory Auditor.

Limitations of the study

- 1) The study is based on the secondary data.
- 2) Only one company under the selected sectors have been studied. This is on account of data and other technical constraints.

Not to be taken lightly

After remaining placid and benevolent for years, shareholders, institutions and mutual funds are now aggressively challenging Boards of companies and voting against several resolutions.

Next if the procedures involved in conducting of e-voting- The notice of the meeting; e-voting period and voting; Advertisement regarding sending of the notice of the meeting and Appointment of Scrutinizer are all metaphor of embracing best corporate governance practices. Further, the following points clearly highlights that companies espousing the e-voting route cannot afford to be complacent-

- i) A company desiring to use the e-Voting route has to ink the agreement and accept the terms and conditions for usage of e-Voting system with NSDL / CDSL.

ii) The notice of the meeting should mention that the business may be transacted through electronic voting system and the company is offering facility for voting by electronic means.

iii) The company through its Register and Transfer Agent (RTA) will set up the e-voting schedule on its website. The company will upload the resolutions on which voting is needed and create an Electronic Voting Sequence Number (EVSN) / Electronic Voting Even Number (EVEN). Then the company is required to upload the Register of Members.

iv) CDSL / NSDL are required to create the password for each shareholder and print the same in a secured manner, which is to be remitted or sent to all the shareholders.

v) At the end of the voting period, the portal where votes are polled will be blocked and no additional votes will be accepted by the company.

vi) After the voting period is over, a scrutinizer prepares a report of the votes cast in favour or against, if any, immediately to the chairman. Further, the scrutinizer shall maintain a register either manually or electronically to record the asset or dissent, received, mentioning the particulars of name, address, folio number or client ID of the shareholders, number of shares held by them, nominal value of such shares and whether the shares have different voting rights.

vii) The register and all other papers pertaining to electronic voting shall remain in safe custody of the scrutinizer until the chairman considers, approves and signs the minutes and thereafter, the scrutinizer shall return the register and related papers to the company.

viii) The results declared along with the scrutinizer's report shall be placed on the website of the company and on the website of the agency within two days of passing of the resolution at the relevant general meeting of members;

ix) Subject to receipt of adequate votes, the resolution shall be deemed to be passed on the date of the relevant general meeting of members.

x) A Scrutinizer is an individual who monitors who observes the complete process of e-voting. Appointed by the company, a scrutinizer, may be a Company Secretary in practice, Chartered Accountant in practice, Cost Accountant or an advocate. The scrutinizer dissects the e-voting process in a fair and transparent manner.

xi) E-voting shall remain open at least for one day and maximum for three days. In all such cases, such voting period should be completed three days before to the date of the general meeting.

Further, Chairman also owns a big responsibility in e-voting, as he needs to ensure the following:

1) The Chairman of a meeting shall ensure that-

a) The Scrutinizers are provided with the Register of Members, specimen signatures of the members, Attendance Register and Register of Proxies.

b) The Scrutinizers are provided with all the documents received by the Company in adherence to Sections 105, 112 and 113 of Indian Companies Act, 2013

The process of e-voting have given due recognition to the corporate democracy, as it has widened the participation of maximum shareholders in the voting process. Now no more companies, especially having mammoth shareholder bases can afford to ignore the participation of shareholders, during voting at annual general meeting. The concept of annual general meeting which is considered to be an allegory of democratic form of corporate function was almost a myth so far. But due to inception of e-voting, it has provided an opportunity to the shareholders residing in far-flung areas to participate in the decision making process of the company. They may or may not attend the meeting in person. Boards in their fiduciary capacity are now looked upon for higher accountability and transparency for the effectiveness of their overall governance process. In this direction, as stated above e-voting have engendered corporate democracy.

Another point that providing firm footing to e-voting is the statement of current SEBI Chairman, who in one of his statement given to Business Line newspaper on 22nd of June, 2014, wherein, he removed the fog over the issue as to whether e-voting is mandatory or not for listed companies? Since Circular No- 20 /2014 dated 17th June, 2014, made it non-mandatory for companies to provide e-voting facility to its shareholders till 31st of December, 2014. This step was initiated with the objective of buying more time for compliance with procedural requirements pertaining to e-voting, engagement of depository agencies and providing more clarity on matters like demand for poll / postal ballot etc. Now taking shelter of the aforesaid circular many listed companies tried to avert the e-voting process. But SEBI's Chairman clarified that e-voting facility is mandatory for listed companies if the same has been made non-mandatory by Ministry of Corporate Affairs.

The Twist in the Story

Despite an innovative and welcoming move, the initiative of e-voting posed challenges of its own when introduced and taking cognizance of the hurdles, Ministry of Corporate Affairs (MCA) was compelled to make it optional in light of fusillade queries and clarifications the rules demanded. Actually, the cause of the twist was Companies (Management and Administration) Rules, 2015, since these came into existence when the industry was settling down with the rules on e-voting. The first reading of the amendments had potential of triggering off numerous queries on the changes. Rule 20 as applicable on e-voting got substituted by new provisions as introduced by the amendment of 2015.

The law mandated for the compliance of new rules on e-voting for all general meetings in respect of which notices got issued after the date of commencement of this rule. In other words, it implied that all notices issued for general meeting after the publication of the rules in the official gazette will have to adhere to these rules. Further, the new rule also stated that the rule shall not apply to companies referred to in Chapter XB or XC of SEBI ICDR Regulations along with companies with less than 1000 members. Chapter XB of the ICDR (Issue of Capital and Disclosure Requirements) Regulations is on issue of specified securities by small and medium enterprises and Chapter XC of the ICDR Regulations is with regard to listing on the exchange made possible without bringing an initial public offer by SMEs. According to the rules, e-voting is not applicable to listed SMEs, which implies greater meetings will be conducted by using means such as show of hands, poll, ballot paper etc.

The new rule seem to suggest that voting through electronic means at the meeting is optional. This also implies additional cost burden for corporate houses to launch voting through electronic means for members at the meeting- technologically enabling the meetings to provide for the option and also explaining the modus operandi to the members to put the option to use.

Another area that have given birth to hue and cry is despatch of notice under E-Voting. Generally, there is a usual practice of remitting Notice and Annual Report together to shareholders in May-June every year. Under the amended rule, the mandatory despatch of e-voting notices through registered post or speed post or by courier service has created a lot of hassles, particularly on account of additional cost burden. In several cases, cost of printing is less than the dispatch cost, due to this provision. In certain cases, the dividend amount may be lower than the dispatch cost. The purpose of ‘timely’ service of notice was almost defeated due to extra burden on all such service agencies, during that particular period for 2014.

Regarding intimation of e-voting, the process have become a bit different. Earlier public notice of 5 days before the commencement of the voting period was required, now for e-voting, a public notice by way of advertisement is required to be published at least 21 days prior the date of general meeting. Further, under the new rule, the public notice is required to be placed on the website of the Company and the agency, too. Moreover, Ministry of Corporate Affairs demonstrated its enthusiasm on resolution of investor grievances pertaining to E-Voting and related issues, by making it mandatory for the corporate houses to disclose in detail the name, designation, address, email id and phone number of the person responsible to address the grievances related to e-voting facility. The public notice shall be placed on the website of the company and agency, under the amended Rules.

Going further, the amended rules bought the period of e-voting more nearer to the general meeting date as compared to extant rules. The facility for e-voting is now needed to remain open for not less than three days and shall close at 5.00 p.m. on the date preceding the date of the general meeting. In terms of the existing provisions, e-voting was required to be completed three days prior to the date of general meeting. Provision under the amended rule, specifically allow companies to provide e-voting tools during the general meeting for voting. In order to have overall voting process in a fair and transparent manner, amended rule provides for appointment of one or more scrutinisers, which was not the case under the previous rule. In order to maintain complete secrecy in the voting and avert any knowledge of voting patterns to the Chairman, Scrutinizer or any other person, till the votes are cast in the meeting, new rule provides that the scrutiniser shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting. However, the existing rule was, in a way, permitting scrutinizer to unblock the e-votes prior to date of general meeting.

E-voting Scenario in selected sectors

In order to comprehend the magnitude of e-voting among Indian corporate houses, this section focuses upon three selected sectors, i.e. automobile, banking and steel. One company have been considered for the study under the mentioned sectors. The following companies

have been considered under each of the mentioned sector- Automobile: TVS Motor Company; Banking: HDFC Bank and Steel: Tata Steel. After perusing the annual reports of the mentioned companies it was observed that e-voting have been espoused for passing several resolutions, however, in this research paper only three forms of resolutions have been considered, i.e. Adoption of audited financial statements; Appointment of Directors and Appointment of Statutory Auditor.

Hypothesis:

Null Hypothesis (H0): There is no significant difference in the pattern of e-voting in selected sectors (Automobile, Banking and Steel) on selected agenda items- Adoption of Final Accounts; Appointment of Directors and Appointment of Statutory Auditor.

Alternative Hypothesis (H1) : There is a significant difference in the pattern of e-voting in selected sectors (Automobile, Banking and Steel) on selected agenda items- Adoption of Final Accounts; Appointment of Directors and Appointment of Statutory Auditor.

Sectors	Adoption of Audited Financial Statements	Appointment of Directors	Appointment of Statutory Auditor	Total
Automobile- TVS Motor Company	394647982	449192833	394646152	1238486967
Banking- HDFC Bank	1507407141	1485889807	1498276620	4491573568
Steel- Tata Steel	619081834	623596236	619585384	1862263454
Total*	2521136957	2558678876	2512508156	7592323989

* The e-voting total is summation of e-voting done by three categories of shareholders, i.e. Promoter and Promoter Group; Public Institutions and Public- Non Institutions.

Revised figures after dividing them with 10,00,000.

Sectors	Adoption of Audited Financial Statements	Appointment of Directors	Appointment of Statutory Auditor	Total
Automobile- TVS Motor Company	395	449	395	1239
Banking- HDFC Bank	1507	1486	1498	4491
Steel- Tata Steel	619	624	620	1863

Total*	2521	2559	2513	7593
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Row Total x Column Total

Using the formula $E = \dots$

Grand Total

Observed value (O)	Expected Value (E)	(O – E)²	(O – E)² / E
395	411	256	0.63
1507	1491	256	0.17
619	619	0	0
449	418	961	2.3
1486	1514	784	0.52
624	628	16	0.025
395	410	144	0.35
1498	1486	144	0.096
620	617	9	0.015
			$\sum[(O - E)^2 / E] = 4.11$

$$\chi^2 = \sum[(O - E)^2 / E] = 4.11$$

$$\text{Degrees of freedom: } v = (r - 1)(c - 1) = (3 - 1)(3 - 1) = 4$$

$$v = 4, \chi^2_{0.05} = 9.48$$

Decision: The calculated value of χ^2 is lower than the table value. The null hypothesis is accepted. Hence there is no significant difference in the pattern of e-voting in selected sectors (Automobile, Banking and Steel) on selected agenda items- Adoption of Final Accounts; Appointment of Directors and Appointment of Statutory Auditor.

Dark sides of e-voting

Despite the fact that e-voting has several merits, it also has numerous limitations too. The most important risk pertains to security. Threats of computer viruses or hacker orchestrated ‘denial of service’ attacks are most commonly mentioned as problems that could compromise an election and shareholders confidence in electronic voting. This apprehension is most prevalent with regard to the personal computers. In view of this, secrecy of ballot is a critical issue when using computers that are unprotected, situated in public places, or which may be vulnerable to virus attacks. Other potential technical problems include power outages or malfunctions in internet connectivity as well as possibility of servers shutting down or crashing. The dependable and storage of votes is also a significant consideration. Next issue is of access to internet. The material or remote internet voting talks about the potential for a “digital divide”, which can take place in two forms. There is a digital divide between those

who have computers / laptops with internet connections and those who do not. Then there may be a digital divide between those who have faster access and those who have slower connections and therefore lower quality access. In urban areas the internet access is good, whereas in urban and semi-urban areas the access is abysmal. Most importantly the shareholders residing in semi-urban or rural areas can be conned easily as they may not be conversant with the voting techniques. Now corporate houses needs to conduct awareness programs regarding usage of e-voting.

No doubt from governance viewpoint, annual general meeting assist the management in providing updates regarding various developments going in the company to the shareholders, as well as it provide an opportunity to the shareholders also to shoot questions to Board Members, to consider corporate proposals and to review the company's performance. It is universally believed that shareholder participation is essential component of a successful annual meeting and overall governance mechanism. But it has been observed on quite a number of occasions that shareholder participation in the annual meeting is extremely low, especially in the case of public limited companies due to diffused ownership structure and hassle of attending the meeting in person.

But supplementing the above mentioned lacunae of e-voting, several experts have opined that online voting or e-voting is a poor substitute for "*looking the management in the eye*," shareholders holding substantial stake in the company generally attend the meeting physically but retail investors who hold less shares may not be encouraged even to embrace e-voting and even if retail investors do actively participate in e-voting, too much intervention of retail investors may be value-destroying.

Way Forward

In today's eon of well-developed information technology and telecommunications, the electronic governance of all business related tasks, administrative activities, and managerial functions of the companies have become extremely convenient, transparent and fully accountable and responsible and in this regard, one of the significant development have been e-voting which have played a pivotal role in encompassing majority of shareholders in the voting process, thereby reviving democracy in the corporate. As mentioned above, that Indian companies when it comes to involving shareholders in the election process and as foreign countries espouse best practices to ensure free and fair voting, similarly, the empanelment of NSDL and CDSL for facilitating electronic voting on resolutions of companies in a fair and transparent manner gives an indication of embracing best global practices, since the e-voting system of the aforesaid organizations facilitates voting by all shareholders, i.e. shareholders possessing shares in demat form with both depositories and the shareholders holding shares in physical form. Under e-voting system there is no need for proxy as it brings in flexibility, convenience and ease of operation for the shareholder to cast vote through internet.

E-voting is expected to gain steam in the years ahead, as more and more shareholders are getting aware of their rights, they are keen to ascertain the possible moves of Board, the magnitude of impact of Board's decision on the key financials of the company as well as their own wealth in the form of Earnings Before Interest, Tax, Depreciation and Amortization,

Earnings Before Interest and Tax and Reported Net Profit After Tax etc. from organization's point of view and on Return on Equity and Dividend per share from individual perspective.

Electronic voting or e-voting is playing a pivotal role in slashing time and cost of the company. It has provided the facility to shareholders to vote on resolutions electronically anywhere and at anytime during the period of voting, through the electronic voting system developed by NSDL and CDSL Ventures Ltd (CVL). The biggest advantage is that during e-voting there is no physical collection and counting of postal ballot papers as well as there is no need for verification of signatures of the shareholders who have exercised their votes. It is a secured process as 'User Id' and 'Password' are provided to the shareholders by the agency providing e-voting altar. In case of joint shareholding, e-voting option is available only to the first shareholder. This facility is available to shareholders holding shares in physical forms and demat form.

If one looks at the merits offered by e-voting it can be said without an iota of doubt that it is going to be the mainstay of voting in annual general meetings in near future. The merits are- Reduction in administration cost and paperwork of the company; No requirement to store physical ballot papers; Precision in counting of votes; Declaration of results in a very short time; No need to verify the signatures; Voting can be done from anywhere and Faster, transparent and cost efficient voting process.

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