

“A Comprehensive Analysis of the Enron Bankruptcy Scandal and its Implications for Corporate Governance and Regulation”

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Abstract

Purpose: The Enron bankruptcy scandal stands as a pivotal case in corporate fraud history and revealed significant deficiencies in governance and financial regulation. This paper aims to thoroughly analyse the history of Enron, its business model, key players, and the factors that led to its collapse. It examines the financial irregularities and unethical accounting practices, the role of Arthur Andersen LLP, and the subsequent reactions from stakeholders. Furthermore, the study compares corporate governance failures at Enron with major scandals in India, evaluating the legal implications and responses in both countries.

Methodology: The paper provides an in-depth analysis of the events leading to Enron's downfall, the principles of corporate governance, and the ethical lapses involved. It also includes a comparative analysis of corporate governance frameworks and major corporate scandals in the U.S. and India.

Implications of the research: The findings of this research highlight the need for robust regulatory frameworks, ethical corporate cultures, and vigilant oversight mechanisms to prevent corporate fraud. The research also evaluates the impact of regulatory reforms post-Enron in both the U.S. and India, providing insights into ongoing challenges and areas for improvement in corporate governance practices.

Originality/value: This paper offers a unique comparative perspective on corporate governance failures by analyzing the Enron scandal alongside significant Indian corporate scandals. It contributes to the existing literature by providing a detailed examination of the legal and regulatory responses to corporate fraud in two different jurisdictions. The study's recommendations for enhancing corporate governance practices are valuable for policymakers, regulatory authorities, and corporate leaders aiming to prevent future scandals and maintain market integrity.

Keywords: Enron scandal, corporate governance, financial irregularities, legal implications, Sarbanes-Oxley Act, India corporate law, regulatory reforms.

Introduction

Enron Corporation failure is one of the most popular cases of a business failure and is an excellent example of how significant corporate governance is. Corporate governance can therefore be described as the processes which shape the business and its agents relating to actions, policies, directors' duties, shareholders' rights and other corporation's activities towards achieving its goal of operating within the right code of ethics and utmost corporate responsibility. Thus, it is impossible to overemphasize the importance of corporate governance in the business environment since it is a key to making companies accountable for their actions to shareholders, employees, customers, and society as a whole. The Enron case demonstrates that when corporate governance does not work or is involved in practices that are nakedly and patently unlawful, then the consequences are disastrous not only in terms of shareholders' capital but also legal repercussions and utmost loss of public trust.

The corporate debacle of Enron Corporation – once globally acclaimed as one of the successful and most innovative companies in United States exemplifies corporate failure due to weak corporate governance. Inter North of Canada merged with Houston Natural Gas in 1985 to form Enron with the leadership of Kenneth Lay and Jeffrey Skilling. First, Enron was a natural gas pipeline company, and then it turned into a global energy trading corporation and becoming involved into electricity, broadband, and even wood products. However, as it was later revealed, this model contain several major problems within Enron including using of super aggressive financial operational strategies, complicated corporate structures with sophisticated and really questionable accounting procedures which, in fact, significantly contributed to creating only the appearance of good quality and high profitability. These actions helped the company to flourish at a very fast rate for some period until 2001 when it was considered one of the biggest corporate frauds which Enron had been presenting false revenues and concealing its debts for several years.

This research aims among other things at examining the Enron bankruptcy scandal and the lessons that can be learnt from it on corporate governance and regulation. Thus, the focus of the study is to identify the underlying reasons behind the tragedy that struck Enron and to analyse the general implications arising from the case. The study goes a step further to review the implications of the findings on the analytical framework of corporate governance practices in the light of the Enron debacle as well as implications of the study on business regulation in the business world. The study seeks to address key questions such as:

- After the detailed analysis of the case a number of factors can be identified as the primary causes of Enron's failures.
- What roles did the weaknesses in the corporate governance play in promoting the scandal?
- After the scandal associated with Enron, what has been done to corporate governance and regulation and is it enough to help avoid such catastrophes?

To answer these questions, the study presents the following hypotheses: The hypothesis holding that Enron's collapse was majorly as a result of corporate grieves by the company board of directors and the senior management through conflicts of interest and unethical behavior. Another hypothesis can be posited as to the fact that the given regulatory environment at that time was inadequate to address and curb the impulsively fraudulent practices that culminated in the collapse of Enron Corporation. The study also assumes that the reformations that had been done on the approaches to corporate governance practices after the case of Enron has enhanced the capacities of the companies not to experience similar failures, but not without hurdles.

In order to test these hypotheses, the study employs a case study research, which involves a comprehensive examination of Enron Corporation's background, model of business and the relevant events that led to its failure. The authors have used basic and secondary research in this regard where basic data was collected from the official records of the court and other official financial records, while secondary data was collected from the scholarly papers, articles related to the case and the scandal available from different sources including the newspapers, journal and periodicals. Critically doing this from these source, the study intends to bring a more holistic approach to the understanding of the Enron scandal and its lessons on corporate governance. It also provides reflection of the changes that have occurred in the sphere of corporate governance and regulation before and after the scandal and not only the immediate regulatory reactions to the scandal.

Therefore, the Enron saga cannot be viewed as the episode of plain greed and fraudulent schemes only, but an analytical example of how essential the concept of corporate governance is. About this study, we shall explore the circumstances that led to Enron failure, the corporate governance system mechanism in availing such failures and the modern day difficulties in making sure that corporations are working hard to benefit their stakeholders.

Enron- A Colossal Corporation's History

Enron Corporation was established in 1985 by the merger of Houston Natural Gas and Inter North; originally, the company was an energy firm specialising in natural pipelines. Kenneth Lay, who was at the helm of Enron from 1987 onward, soon transformed it into a roaring giant in the energy business. Nevertheless, Enron's change process was catalyzed by Jeffrey Skilling in the early 1990s, which brought out a massive spin. Skilling saw Enron more in the form of a trading company, a company that would make a lot of money buying and selling contracts for the delivery of energy. This can be looked as the start of Enron's transition into a company involved in energy trading and derivatives business.

Throughout the 1990s the company actively sought trading divisions and quickly became one of the world's largest energy traders. For instance, it used its natural gas business to invest in electricity businesses and expanded in other segments like communications, entertainment-broadband and forest products like pulp paper. The company experienced growth mainly

through the use of financial strategies and complex structures of the company, this involved the use of special off- balance sheet companies that minimized the risks and debts of the company. Thus, by the beginning of the new millennium and before its dramatic collapse.

Enron has grown to become one of the world's premier trading companies. It floated its shares which rapidly increased its value and it became one of the largest companies in the United States with a market capitalization of more than 70 billion dollars. However, as the hint was given the life of the seemingly successful people was not as flawless as it seemed. Interests in Enron's affairs, business dealing and, particularly, its accounting methods increased with regards to its management of debts and reporting of profits. Jeffrey Skilling surprisingly, resigned as CEO in August 2001, he claimed it was the issue of family pressure. Kenneth Lay who had resigned only for several months from the position of the Chief Executive Officer resumed this position again in the company. Several months later in October 2001, Enron declared third quarter losses of 618 million dollars and officially declared that it had fraudulently inflated its revenues by an astonishing 600 million dollars since 1997. This revelation caused a drastic fall in the price of Enron stock and the company's credit status, hence its declaration of bankruptcy in December 2001.

Using the case of Enron as an example, one can conclude that the loss was not only the money, but also the moral and ethical issue. Enquiries led to revelations of massive accounting irregularities and personnel dishonesty at the corporations' senior management levels; namely the companies used off-balance-sheet entities and partnerships to hide liabilities and overstate revenues. Donovan and Schlingman point out that the exposure of irregularities at Enron wiped out a lot of shareholder wealth and dismantled most people's retirement plans. Thus, it also precipitated profound changes in corporate management, reporting and regulation to avoid such corporate failures in the future. Thus, the vicious example of Enron will teach people about the consequences of uncontrolled desire for profit and the role of integrity in companies.

Growth and Development of the Enron Corporation

The development of Enron Corporation since it was formed in 1985 was marked by a very dynamic business developmental model involving growth and diversification into the energy as well as the commodities markets. Amalgamated by the combination of Houston Natural Gas and Inter-North, Enron at its initial stage of its evolution was a normal pipeline company dealing with natural gas as well. As spearheaded by Kenneth Lay and later Jeffrey Skilling the company started the process of recreating itself as a leader in energy trading and expanding into different markets. Of particular importance in the 1990s, Enron ramped up its trading activities and forged into becoming one of the major and most dominant energy trading companies across the world. It proceeds to use natural gas base to penetrated electricity markets and expanded its business in Europe, South America, and Asia. The expansion was fueled by the innovation in operation and financial engineering at Enron that entailed development of a number of special purpose and often highly risky financial structures and instruments to off-balance sheet what was deemed as undesirable impacts on profitability. This was not all, after

the dot com boom of 1990s Enron had expanded its ventures into telecommunication sector and even into broadcasting services, broadband services and weather derivatives. The company's stock price was on the rise and the company was recognized to be one of the most innovative of enterprises in America, garnering medals for its so-called financial genius and business pioneers. The company used some accounting practices that masked accumulating debts and overstated earnings which gave the veneer of profitability and growth. This led to tall tale telling which in turn culminated in the spectacular Enron Corporation's revenues being exposed as over stated by several billion dollars of revenues in 2001. Enron's growth story can thus be described as a classic example of how increased desire to grow, corporate ego, and failure to adhere to the most basic ethical standards can lead to monumental failure. Its bar leveled in record time and its fall, was even faster, it really was a wake-up call about business and the need for meaningful transparency, responsibility and ethical standards in the management of such entities.

The Unfolding of the Scandal

Enron's Financial Irregularities and Accounting Practices

Enron Corporation's failure in 2001 is a perfect example of the danger of excessive corporate greed and corporate fraud. At the core of the company's collapse was an elaborate system of fake book keeping. Enron for instance adopted the aggressive mark to market accounting where by it was able to book high values of its assets based on hypothetical future earning rather the market. Furthermore, off-balance sheet special purpose entities (SPEs) were used by the company in a rather smart way to mask huge number of debts and accumulated losses and to create a misleading and upbeat image on the company's financial health to the investors and the regulatory bodies. This complex financial operation was further worsened by officer self-interest especially through the company's chief financial officer, Andrew Fastow, who was involved in embezzlement through these special purpose entities. In addition, the identity of Enron as an unstable and financially troubled company was effectively masked by its aggressive accounting practices and great ambiguity of the company's financial reports. In the end, exposure of these evil practices destroyed investors' confidence which led to the collapse of Enron, and exposed a glaring weakness in the weaknesses of the legal mechanisms governing companies and markets. The story of Enron is still fresh in everyone's memory and serves as a constant reminder to corporate financiers and the society of the need to uphold and maintaining corporate honesty and efficiency. The Role of Arthur Anderson LLP

Arthur Andersen LLP was one of the internationally acknowledged accounting firms that participated in the scandals connected with the Enron Corporation. An external auditor of Enron, Andersen's responsibility was to ensure that the company's financial position was indeed as depicted from the balances strength and hence approved the statement balances. Thus, Andersen's association with the scandal was very unadvisable. The firm did not pay enough attention on elaborate structures in Enron's dealings and operations as well as fake off balance sheet operations and; erratic accounting practices like mark -to-market. Furthermore,

Andersen played an active part in endorsing the cooking of the books for Enron by overlooking the obviously doctored financial statements that masked the firm's real state of affairs from investors and the authorities. In addition to the audit responsibilities other charges that were leveled against Andersen included collusion and conflict of interest. The firm offered both audit services where it conducted audits on the company's financial statements and consultancy services where it offered valuable consultancy services to Enron, thus, leading to lack of independence. This dual role raised questions about the company's integrity in coming up with unbiased and impartial audit decisions. The aftermath of this exposure was not in favor of Andersen because it served as company for Enron for several years. The firm suffered a severe legal problem because it was charged according to the law and convicted of obstruction of crime, including the Virginia attorney general's recent request to produce records connected to Enron that allegedly were shredded. Finally, the smut of the firm was beyond repair, thus it closed and was thrown out of the accounting fraternity. The sad incident of Arthur Andersen emphasized the significance of independent and ethical auditors as well as the proper monitoring to prevent corporate fraud on financial reports in the United States of America.

Enron Corporation's case that led to its bankruptcy in 2001 is a long business saga involving a number of employees' manipulations and unethical behaviors, which significantly impacted investors' trust and revealed corporate and legal weaknesses. The principal cause of Enron's troubles was its improper application of the accounting method known as mark-to-market, or as it might more accurately be called, mark-to-estimate, through which actual future revenues were predicted and recorded in advance. It in fact concealed the real position of the company and thus fostered an image of success which could not be sustained in the long run. The main cause of Enron's failure was the practice of using Special Purpose Entities where the company used to Schedule or mask very big debts and losses. These entities, from Chewco to Jedi let Enron exclude liabilities from its balance sheets thereby giving a wrong impression of the company's actual state of health (Schilit & Perler, 2002)¹. Moreover, the cultural setting of the organization focused on growth and innovation of its financial strategies and tools, which overshadowed any ethical concerns that might appear on the way. The responses of the stakeholders to this monumental scandal that resulted into the collapse of Enron were severe and widespread. Employees who could earlier boast of being a part of the Enron team, lost all their hard-earned money sunk into the company's shares. Shareholders alike ordinary employees who had invested their monies, through their pension plans, in Enron's stock saw their savings vanish (Sims, 2003)². The practice which the management of Enron engaged in was seen as fraudulent and institutions such as the Securities and Exchange Commission-SEC was criticized for not perceiving and halting the activities of Enron. The people's response was one of anger and shock, because the Enron case symbolized the deterioration of the social responsibilities and ethics in large businesses. They led to demands for a tighter legislative

¹ Schilit, H., & Perler, J., *Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports*. McGraw-Hill Education, 2002.

² Sims, R. R. *Ethics and Corporate Social Responsibility: Why Giants Fall*. *Journal of Business Ethics*, 45(1-2), 147-156, (2003).

control and changes which would revive the public's trust in stock exchanges. What happened at Enron was not just limited to it as the effects spread all over the business world and the stringencies of accounting methods increased and focus on accountability and disclosure enlarged.

Thus, the Enron Corporation's bankruptcy followed by the collapse of other energy services corporations was a significant event in the corporate world that revealed many systematic issues in accounting practices and corporate governance. The collapse pointed to the desirability of strong governance frameworks and high ethical benchmarks as a way of protecting investors and maintaining the integrity of the financial dialect

Corporate Governance Failures

Corporate governance refers to the rules, practices and processes that guide how a company is managed and overseen. It involves the relationships, among shareholders, management, the board of directors', employees and other parties impacted by the company's actions. The main goal of governance is to promote transparency, accountability, fairness and ethical conduct in all aspects of a company's operations and decision-making processes (Monks & Minow, 2011)³. Some key principles that support governance include:

Corporate governance principles ensure that management and the board of directors take responsibility for their decisions and actions, and that they continue to answer to shareholders and other stakeholders. Maintaining transparency involves providing all stakeholders with timely and thorough information on the company's performance, operational activities, and governance processes. Every stakeholder must be treated fairly in accordance with the law and accepted ethical standards, including employees and minority shareholders. Respecting the highest standards of moral behavior and social responsibility in all business dealings and relationships with stakeholders is what it means to be responsible. The board of directors' independence from management is essential for enabling objective decision-making and efficient supervision, protecting the interests of the business and its stakeholders. This foundation aims to uphold integrity within entities by promoting governance practices that benefit all involved parties.

Analysis of Governance Failures at Enron Corporation

First off, the board of directors of Enron did a poor job of supervising management, enforcing adherence to moral principles, and ensuring regulatory compliance. The board, which was led by former Enron CEO Kenneth Lay, came under fire for being too close to senior management, particularly CFO Andrew Fastow and CEO Jeffrey Skilling (Cruver, 2002)⁴.

³ Monks, R. A. G., & Minow, N. *Corporate Governance*. John Wiley & Sons, (2011).

⁴ Cruver, Brian. *Anatomy of Greed: The Unshredded Truth from an Enron Insider*. Carroll & Graf Publishers, 2002.

Second, Enron concealed the real state of the company's finances through aggressive and dishonest accounting techniques. One example of this was the application of mark-to-market accounting, which inflated reported earnings by recording projected future gains from long-term contracts right now. Enron also made use of intricate off-balance sheet organizations called Special Purpose organizations (SPEs) in order to conceal large debts and liabilities from its financial reports.

Executives from Enron controlled these organizations, which led to major conflicts of interest and allowed them to benefit financially from the agreements (Fox & Fox, 2003)⁵.

The business culture of Enron was rife with ethical transgressions, favoring financial success over morality. Through transactions with the SPEs, executives—including Skilling and Fastow—engaged in self-dealing and personal gain while deceiving regulators and investors about the real nature of these transactions (Fusaro & Miller, 2002)⁶.

Corporate Governance and Indian Scandals

A number of high-profile scandals, including the Vijay Mallya-led Kingfisher Airlines debacle and the Satyam Computer Services affair, have served as conspicuous examples of corporate governance failures in India. These incidents highlight structural flaws in corporate entities' monitoring procedures, which resulted in serious financial irregularities and violations of regulatory requirements in the field of Corporate Governance.

One of the most notorious business scandals in India, the Satyam Computer Services affair revealed gross misbehavior on the part of senior executives who falsified financial accounts to exaggerate the performance of the company. This fraud exposed serious flaws in board supervision and auditing procedures, misleading stakeholders and investors alike.

In a similar case, Vijay Mallya's leadership of Kingfisher Airlines failed, demonstrating a lack of respect for sound financial management and corporate governance principles. By his conduct, Mallya cast doubt on the effectiveness of checks and balances in regulating the use of money and informing shareholders about their financial health.

Furthermore, the Punjab National Bank fraud case brought to light other governance shortcomings since poor controls and internal cooperation enabled fraudulent transactions totalling significant sums of money. This incident exposed the shortcomings in regulatory agencies' oversight and monitoring, highlighting weaknesses in risk management frameworks and the regulatory environment. Thus, when we see these occurrences highlight the urgent necessity for strong corporate governance structures in India that include strict monitoring,

⁵ Fox, Loren, and Fox, Nancy. *Enron: The Rise and Fall*. John Wiley & Sons, 2003.

⁶ Fusaro, Peter C., and Miller, Ross M. *What Went Wrong at Enron: Everyone's Guide to the Largest Bankruptcy in U.S. History*. John Wiley & Sons, 2002.

openness, and moral behavior. Restoring investor trust, defending the interests of stakeholders, and maintaining the integrity of the financial system all depend on fixing these flaws.

Legal Implications and Responses

Overview of U.S. Corporate Law and Regulations

The regulations on Corporate behavior in the united states involve numerous rules which involve both the state and the federal legal systems with the aim of promoting high standards of corporate governance as well as enhancing corporate accountability and business ethical standards. Therefore the doctrine of fiduciary responsibility rooted in the corporate law of the United States involves obligations that directors and officers of a corporation owe to the shareholders. State laws bear a lot of influence because of the amount of corporate business that takes place in Delaware that is embodied in the Delaware corporate statutes. That said, federal regulations triumph on issues to do with securities laws most significantly through the Securities and Exchange Commission. This has made it possess enforcing laws regarding the issuance and trading of securities with a view of making sure that companies give out correct financial information and also by preventing cases of insider trading. Also, other acts form part of U. S. corporate law including the Sarbanes-Oxley Act which was enacted in the wake of corporate fraud and seeks to boost the corporate governance responsibility and business reportage.

The Sarbanes-Oxley Act of 2002

Sarbanes Oxley act of 2002, also known as ‘Public Company Accounting Reform and Enhancement of Investor Protection Act’, is widely known as the reformist legislation in the U. S .corporation law enacted in reaction to the fraud related disasters of Enron and WorldCom. These corporate failures revealed major flaws in corporate governance and financial reporting that forced establishment of SOX as a measure to reconstruct the lost public confidence in the business world. The SOX for example placed stringent regulatory measures on corporate governance, financial reports and internal controls which changed the regulation of US corporations.

Section 302 of SOX, where it requires senior corporate officers to personally attest on the reliability of financial reports is another very important aspect of SOX. This provision shifts direct responsibilities upon CEOs and CFOs, this means that they cannot plead ignorance of such matters as financial frauds. Section 404 builds up on internal controls by making companies to disclose internal control and its procedures in the financial reporting process. This has led to substantial developments of compliance costs which operate units within corporate organizations have spent a lot of money in internal audit functions and control.

Another major change that SOX brought about was the creation of the Public Company Accounting Oversight Board or PCAOB which is expected to oversee all the audits of public

companies and to make sure that the auditors are ethical and independent. Since its implementation, the act has played a significant role in improving the corporate governance structures and the general corporate accountability. However, it has also been criticized for the other reasons such as burdening companies with more regulations particularly the small business that find it very expensive to conform to the regulations set.

Legal proceedings and Outcome

The legislation has been put into practice by the Sarbanes-Oxley Act which has resulted in many legal actions and which are evidences of its effects in the business world. Conventional examples like the prosecution of Enron chief executive Kenneth Lay, Jeffrey Skilling and, from WorldCom, Bernard Ebbers are a witness of how SOX has been effective in punishing corporations' leaders for fraudulent business practices. Such cases led to convictions and severe punitive measures in form of appropriate jail terms thus serving as a deterrent to corporate fraud.

Besides the criminal charges, SOX has catalyzed the civil actions which include mainly the securities class actions. Special attention will be paid to the provisions of the SOX that shareholders have relied on to file legal actions against companies and/or their executives for financial distortions and other corporate malfeasances. These legal actions have not only resulted in a number of large monetary damages but have also caused firms to enhance their governance policies to decrease their liability exposure moving forward.

In addition, the PCAOB has been instrumental in helping monitor auditors who do not fulfill the standards as outlined by SOX. Some of the large auditors have received penalties and sanctions due to their implication in auditing scandals and this shows that the act affected the corporate and financial sectors.

Legal Framework in India

The legal environment of corporate India has under gone a complex transformation over the last two decades corresponding with the corporate governance and regulatory reform across the global. The Companies Act 2013 and the laws made under it, SEBI regulations and recent legislation called Insolvency and Bankruptcy Code, 2016 are the primary laws in corporate law in India. These statutes sought to ensure that corporate governance system is clear, responsible and effective hence enhancing the investors' confidence and economic development.

1. The Companies Act, 2013

A major developmental feature of the Companies Act, 2013 is the policy of Corporate Social Responsibility –CSR. An Act known as Section 135 now requires all companies which have exceeded a certain financial mark to invest not less than two per cent of their average net profit

on CSR. This provision is an indication of a change in legal thinking towards the company and its responsibilities towards society and the environment and not exclusively its business value.

Another of the act's key objectives is in relation to the transparency with accountability and especially with regard to the financial statements. The measures like auditor rotation and stringent measures to check related party transactions show the acts 'aim at avoiding malpractices and making sure companies are operating on the right standard.

2. Regulatory Framework of Corporate Governance: SEBI's Role

SEBI was set up in 1992 and aims at safeguarding the investor's rights, development of the securities market, and ensure the regulation of intermediaries in the market. SEBI over the years has been coming up with measures or regulations to improve on corporate governance and the securities market standings.

Perhaps, the most notable achievement of SEBI in enhancing corporate governance are the LODR Regulations that have been issued in compliance with the Companies Act. These regulations set up strict requirement on disclosures standards for firms that are listed in the market so that the investors can get pertinent and reliable information. The LODR Regulations also prescribes the structure of the board of directors, and includes executive and non-executive directors and independent directors.

SEBI has also had a useful role in enhancing corporate governance by enacting regulations in connection with insider trading and other frauds. The SEBI (Prohibition of Insider Trading) Regulations, 2015 for example are general prohibition rules against insider trading to stop the abuse of unpublished price-sensitive information by insiders. Such regulations have helped in leveling the playground in the securities market so that all investors are accorded equal information.

3. The Insolvency and Bankruptcy Code, 2016

The IBC, 2016 applies to individuals, partnership firms, companies, limited liability partnerships, and other legal entities and is a major structural overhaul in India's corporate legal regime since they become a single code to deal with insolvency properly. Accordingly, IBC wants to ensure that insolvency cases are resolved in the shortest time possible if the distressed firms need to be restructured or wound up. Code also brings pre-determined time-bound insolvency resolution process through operation referred to as National Company Law Tribunal (NCLT) which is rather important institution regarding corporate insolvency.

The IBC was designed with one of the main goals of making India a favourable destination for investment, thus enhancing the business environment by eliminating legal uncertainty in insolvency processes. The code has also helped in decreasing the time duration which is required for handling of insolvency cases and this was a big issue with the old law. Through

the priority given to the creditors 'interest and making it a point that all insolvency matters be addressed within a set timeframe, the IBC has boosted the financial sense among the companies.

The IBC has also brought the concept of the Insolvency Professional (IP) who is a licensed professional for the management of insolvency resolution. This has also brought professionalism to the actual resolution which in turn has boosted the efficiency of the system. Some of the experiences are reflected in the improved rate of recovery from debts and the achievement of several large insolvency situations.

4. Other Related Acts and Rules

Apart from the Companies Act, SEBI regulations and IBC several other Acts and rules have significant role in the corporate legal structure of India. For example, the Companies Act, 1956 provoked severe obligations on organizations to prevent money laundering and keep up legal responsibility in monetary exchanges. The PMLA has been effective in controlling such unlawful activities which include terrorism financing and tax frauds and hence has made a significant impact towards a firm financial system.

Another important act that influences corporate behaviour in India is known as the Competition Act of 2002. It seeks to protect and enhance competition and put to a stop anti-competitive activities such as cartels as well as abuse of dominant position. The institution developed under the act is known as the Competition Commission of India (CCI) which has been very instrumental in preventing undue influence from companies which have the potential to manipulate the market space thus ensuring that the consumer is protected against any form of manipulation.

In addition, the Information Technology Act of 2000 with the amendments of 2008 provides legal governing of the impact that is Physically caused by the increased usage of technology in business processes. This act offers the legal context within which electronic commerce and digital signatures will be conducted as well as offering a legal platform to the issues of cybersecurity and protection of data. With regard to the use of technologies in various organizations the IT Act has become one of the pillars of the regulation of companies in India.

Conclusion

The collapse of Enron Company is evidence that many firms can plummet the depth of disgrace for numerous reasons corrupted by greed factor, poor corporate ethicality, and defective corporate governance. The failures of Enron are the best examples of ignoring shareholders ' and other stakeholders 'interests and focusing on the company's profits, as well as possible negative outcomes that may appear when corporate management fails to act ethically. Enron as a company is only twenty years old with a focus on rapid growth and the expansion of new businesses with the help of forceful financial games. However, while Enron seemed to perfectly

fulfill this model to the outside observer, under the surface it was based on such things as the accounting frauds and manipulations of figures, the liberal use of the aggressive reporting which was combined with the encouragement of the personnel to act in their self-interest and more focus on the short-term results rather than the long-term business stability and ethical standards.

The eventual demise of Enron in 2001 was a rude shock to the business world especially in regard to disparity in corporate governance and the supposedly effective measures that were in place that would prevent it. Particularly, Enron employed the off-balance-sheet entities to conceal the existing debts and to amplify the profits that have never actually been made, in addition to the manipulation of the so-called mark-to-market accounting that contributed toward the creation of the mirage of financial stability only to collapse fully and finally, result in Enron's bankruptcy. The fact that one of the most popular and, at the same time, one of the oldest accounting firms, Arthur Andersen LLP, was involved made people realize that there were more profound problems in the corporate and the financial spheres. Such instances show that Andersen lacked independence and was involved in the perpetration of fraud at Enron a position that led to its collapse, highlighting the role of ethics and moderation in the auditing profession.

The social effect of the scandal implicated not only the employees and investors who lost their money, thousands of working Americans who lost their life savings and pensions they had built over their lifetimes with the help of Enron company but also for the whole business world and for the regulation of businesses. It created pressure for change and the publication of new rules designed to enhance corporate governance, to prevent business organizations from falling victim to the sort of fraud unveiled at Enron, or for them to engage in the sort of deceitful practices that were symptomatic of the company. For example, the Sarbanes-Oxley Act of 2002 was passed in light of the Enron scandal and put in place increased supervision of companies' financial operations as well as increased liability for executives in regards to their corporations' reports.

By analyzing Enron's story it is possible to realize how weak corporate governance and unethical leadership dramatically affect the organization and the whole society. Conventional wisdom is unveiled for its failure to weigh social justice and fairness against pure financial measures, for ignoring subsequent ethical scandals and for neglecting the importance of keeping markets safe from this type of financial engineering. The implications of the case at Enron are still current today, and the story is a pass accurate for the corporate world the auditors, Government and investors. As organizations advance and transform, issues like integrity, propriety as well as corporate governance need to take their respective places in order to avoid such unfortunate occurrences from happening again and in order for people to continue having their trust in the corporate world.

Recommendations and Suggestions

Regarding avoiding further cases like Enron the following recommendations can be made. Importantly, it is necessary to advance the quality of corporate governance more as an accountable, transparent, and ethical leadership system. Boards of directors need to be able to be independent, to be attentive candidates with the adequate education and tools to monitor managers efficiently. This entails internal controls that comprise of risk assessments, audits, and evaluation in order to reduce cases of fraud.

Second, those performing external audit must be clearly ascertainable and their interests must not be aligned with that of the firm's management. It is recommended that auditors should not be allowed to render any non-audit service to the audited companies in order to afford them the needed independence and impartiality in their job. In addition, audit firms should undergo periodic scrutiny by the regulatory authorities as a measure of enforcing compliance to auditing standards and as a way of checking on integrity of the financial reports.

Third, there is the need to also increase compliance with the existing laws as well as to develop new measures of punishment for frauds in companies. It is for such a reason that bodies such as the Securities and Exchange Commission (SEC) must be equipped with enough capacity to act fast and decisively against any company and individuals found on the wrong side of the law. This includes the fines to be levied as well as prosecuting offenders to be charged with criminal offenses where necessary, so as to act as a warning to other organizations in future.

Finally, creating the best ethical corporate climate is crucial. It is the recommendation of this paper that companies need to focus on employees' ethical obedience education and need to develop ethical policies and standards to guide employee behavior and penalties for unethical practices. Employees should be protected when reporting immoral activities at the workplace hence there should be better provisions for whistleblowers.