1. INTRODUCTION

Company law is distressed with addressing three main sets of principal or agent problems. These arise out of the relationships between, first, the management and the shareholders as a class; second, between majority shareholders and minority shareholders; and, third, between the controllers of the company and non-shareholder stakeholders [Paul L Davies, 2000 [23]]. Company tends also to be true of company law systems, according to the typical pattern of shareholdings in large companies in the jurisdiction. Where the typical pattern is one of dispersed shareholding (as in the UK), legislative and policy attention tends to focus, as the provisions of the Combined Code demonstrate, on the first agency problem. Where, on the other hand, large block-holders typify the pattern of shareholdings in large companies, policy-makers are likely to take the view that the second set of agency problems presents more pressing demands on their resources [Brian C Chefins, 2000 [6,7]].

A person is considered as a director, if he does whatever a director does normally. Thus, where a person performs the functions of a director, he will be treated as a director for the purposes of the act, though he may be called by a different name and is not actually appointed on the board of the company.

On incorporation, a company becomes a legal artificial person but it cannot act by itself and consequently it has to depend upon some human agency to act in its name. The members have no inherent right to participate in the management of the company. A large sized company may have its members running into lakhs, who are dispersed all over the country and
they even lack the expertise to manage the affairs of the company, which makes it impossible to give the management of the company in their hands[Bell, T.G., C.B Moore, & J. A Al-Shammari, 2008]. Therefore a specialized body of persons called as directors are appointed by the members to manage the affairs of the company. The directors must act as a body without improper exclusion of any of the directors. The directors collectively referred to as BOARD. The board is the managerial body constituted by the members to whom is entrusted the whole management of the company. Board owes a duty to the members to exercise care, skill and diligence in discharge of their functions.

The nature of director’s duties is one of the most interesting aspects of company law. Given that the activities of companies are in fact conducted by human beings, albeit under the disguise of corporate personality, and given that a company’s directors are its principal human actors, then the duties of those directors to the company, and the effect of those duties on third persons such as the shareholders, employees, creditors and others, are central to the legal control of companies. The Companies Act 2006 introduced a statutory code of director’s general duties for the first time. Interestingly, this statutory code expressly preserves the effect of the previous case law and allows the precise nature of those duties to develop with any later case law. The case law relates specifically to the common law on director’s duties and significantly applies the equitable principles which govern the liabilities of all fiduciaries, including directors.
The purpose of the statutory code was to formalize director’s duties so that non-lawyers could understand their duties as directors more clearly. A social business is a unique combination of traditional for-profit businesses, which focus solely on maximizing profit, and not-for-profit entities, which relies solely on charitable donations [Muhammad Yunus, 2010 [20]]. The main idea of social business is to empower people, to grant them agency and to make them less dependent on externalities that are not within their control. Such empowerment provides ‘capability’ and ‘freedom’ to those less privileged to choose their development path [Amartya Sen, 1999 [2]].