

**AMCHAM Kolkata**  
**Interactive Session with the Union Minister-in-Charge of Corporate**  
**Mr. Salman Khurshid**  
**January 23, 2010, at ITC Sonar Kolkata**  
**Proceedings**

In an extended session of the January 22 one-day seminar on “Good governance makes good business sense” on January 23 members of Amcham Kolkata chapter met the Union Minister for Corporate Affairs Mr. Salman Khurshid for his views on the evolving issues around corporate governance.

Amcham Kolkata Chairman, Mr Aniruddha Lahiri, gave the minister a synopsis of the previous day’s seminar proceedings and noted that the basic takeout was that good corporate governance was a matter of good people working within a good management architecture.

The two basic issues around corporate governance, Mr Lahiri said, were ensuring that enterprises had good people and a good architecture to practice good governance and then to make it more inclusive – in terms of extending such practices to SMEs – so that every corporate, irrespective of size, could derive values from excellence in practices. Amcham, he said, had made good corporate governance a priority area, both in terms of knowledge and practices and was keen to hear from the minister how it could be made more inclusive, if necessary through some form of incentivisation.

**Mr Khurshid** said that at a theoretical level there were two issues around corporate governance: 1) expanding its footprint across society 2) learning from the experience of governance itself because governance is an integral part of a societal system; there could be no island of good corporate governance in an otherwise system of societal misgovernance.

On the happier side, he said, the quality of governance has been improving within the government, as is evident from the electoral system and its model code of conduct. Possibly some of the improvements were cosmetic in nature (taking the joy out of the electoral process) but there were some real changes as the country institutionalises democracy and redefines governance.

The other sector of remarkable reformation in governance is the economic sector though this has not been carried on to the administrative sector accounting for the fact that at the lowest echelons of society, a district magistrate can still be the king.

The important element in this process is the thinking around the fact that good economics can be good politics as well, as India considers its aspirations and evaluates its achievements.

Even more important is the understanding that India has to develop its own standards of governance in keeping with its own culture and systems, which

cannot be imported from international universities or corporate. This is especially clear in a global scenario where many mature corporates and structures are under severe pressures as a fall out of misgovernance and a breach of trust.

The concept of trusteeship, the Minister said, was a Gandhian one as much as it is a modern management concept. Mahatma Gandhi applied it in the societal context. Indeed, the search for structural principles for corporate governance must find resonance in everyday society if it is to be accepted across the wide cross section of people. The absence of such resonance would mean a sense of alienation of the concept of 'governance' from the political structure in this country even though societal values and corporate governance have much to draw from each other.

The concept of transparency too is as much valid in the political/societal planes as it is the corporate sector and the developments around the Right to Information Act bear evidence to a society that is trying to become transparent.

Coming to specifics around the Indian corporate sector, the Minister said that the concept of family ownership must be built into corporate governance and practices such as the separation of the CEO and chairman's positions can be effectively done even in family run businesses. There are other issues that could be worked out as the new company law gets ready. These include demands that auditors be retained for the sake of continuity with rotation of partners, not entire firms; and ensuring the independence of independent auditors. The Minister also said that there could be good companies with poor governance and the best example was Satyam. It was a good company, which is why it was possible for the government to get the company back on track with minimal fuss.

At the end of the day, we are evolving towards a society that is based on trust and faith, despite the problems that the country has run into, the Minister said. The idea is to encourage compliance, have faith in the quality of human beings, in democracy, in the essential goodness of man. At a corporate level many successful microfinance companies have worked on just that: the honesty of the borrower, setting a new trend in the borrower-lender mindsets. The government too, would increasingly work on trust even while instituting early warning systems to alert it about things going awry. Even then, it would intervene not necessarily to punish but to correct, counsel, do some handholding to get the issue on track.

There should be equal focus on the minority shareholders, just as there are special provisions for minority communities in society; the idea is to ensure them a reasonable standing in the market place.

The position of the whistle blower will be incorporated in the new law

There should also be an alignment of corporate governance with corporate social responsibility that should seamlessly flow from one to the other.

Is there any way to incentivise this process? The Minister said that the jury was still out on this but perhaps one could look at corporate governance credits (on lines of carbon credits) that would be tradable instruments.

At the end of the day, we should all have contributed something to the world, Mr Khursheed said.

Questions:

**Kalyan Kar:** How does one take cognisance of companies with good corporate governance practices? What could be the measurement matrices?

Minister: We are looking at several options. An Equal Opportunity Commission is being considered. The question is how does one enforce the findings of the many commissions. I feel that enforcement is not the solution; leading by example is, Make role models, do not impose sanctions. Demonstrate how being good is a part of being a successful business achieving sustainable growth.

**Roopen Roy:** We talk of Satyam as a nightmare. There are many lessons to be learnt on how the government tackled the issue without much ado and these should be talked about.

Minister: While Satyam should not have happened, there have been huge silver linings. The government has demonstrated that it has curbed its instinct to grab/take over. Instead, the whole process was managed transparently with even the CLB acting fast and efficiently in the cases of both Satyam and Maytas.

**Aniruddha Lahiri:** What happens to good governance in the case of a joint venture with the government where there is dispute between the government and the private party and the government is both a party in the case and the adjudicator. How does good governance operate here?

Minister: There are structures of the past that need to change. The independent directors need to play an important role here. There are other changes that are being considered: putting at least 10 per cent shares of all companies with the public so that they have a right to enter companies and ask questions. Several ministries are signing MOUs to have their performances assessed. Appointing independent directors vis-à-vis the dispute resolution issue is definitely something that has been flagged for the next stage of reform.

**Mahua Maitra:** (1) One way of incentivising good governance is for the government to have a set of principles that it would expect instruments that expect government investments to possess. The government controls huge pension funds. It could use these principles to avoid companies that do not fit the good governance bill

(2) Companies seem to be getting away with anything provided they clean up their books before coming into the market. There should be a check on company profiles vis-à-vis minority shareholders and other violations so that only genuinely clean companies pass muster.

**Minister:** These are excellent suggestions and will definitely be considered. There is need for holistic debate on all these issues, including reforming structures in the government. The Ministry of Public Enterprises could be brought under the Ministry of Corporate Affairs for instance to facilitate better corporate governance practices in public enterprises, for instance.



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January 23, 2010: AMCHAM Kolkata Interactive Session with Union Minister in Charge of Corporate Affairs – Q&A and Media interaction