

National Foundation For Corporate Governance

National Conclave on Corporate Governance in India: Transforming Business Environment 30th July 2007: New Delhi

**Inaugural Address: Shri Prem Chand Gupta,
 Union Minister for Corporate Affairs**

Shri Sunil Bharti Mittal, President CII, Shri Anurag Goel, Secretary to the Govt. of India, Ministry of Corporate Affairs, Shri Arun Maira, Chairman, Boston Consulting Group, Gen. Mehta, Distinguished Guests, Ladies and Gentlemen, Good Morning to all of you.

I am very happy to be with you on this National Conclave on Corporate Governance in India, which is being organized by the National Foundation for Corporate Governance jointly with the Confederation of Indian Industry.

The Indian business environment is undergoing a rapid transformation. We are today a trillion dollar economy. The average rate of economic growth has been over 8.5% in the last three years. We have very impressive savings and investment rates. India has been rated as the second-most favoured destination for FDI, in the world. Forex Reserves are very comfortable. We are witnessing booming capital market and surge in exports. Our corporate are not only contributing to this high economic growth but are also spreading their wings beyond the Indian borders by acquiring stakes in businesses overseas. In short our economy is growing. At the same time, there has also been a noticeable shift in the environment within which the corporate world functions. This shift is driven by expectations of the stakeholders who not only demand higher performance and returns but also increased transparency, accountability and responsiveness on the part of the corporate managements. Corporate have to be alive and responsive to the expectations of the stakeholders.

We feel that an appropriate enabling environment is required to growing aspirations and expectations of the stakeholders and also to provide guidance to the corporate. You have witnessed that in order to facilitate this, the UPA Government, during the last few years, has undertaken several important reform measures and many more are in the process. The idea behind all these efforts is to provide our corporate hassle free environment in which they can deliver their best in the process of development; while competing with the best in the world.

As you are aware, the Ministry of Corporate Affairs is primarily concerned with providing the corporate structure to the businesses, ensuring that these structures function in a healthy manner, there is free and healthy competition in the market place and interests of all the stakeholders is fully protected.

Shri Anurag Goel, Secretary of the Ministry, has already presented before you a bird's eye view of the various initiatives and accomplishments of our Ministry. I don't want to repeat the same. I would like to add only one thing that all our initiatives have been through a wide consultative and participative process and we not only welcome your suggestions but also value them. I wish to assure you that we in the Ministry of Corporate Affairs are committed to work with you as partners and facilitators and not as regulators it is up to you to harness the potential of your partner.

At the same time, we attach a very high priority to our obligation of protecting those who cannot protect themselves. I am referring to the small investors who invest their hard earned savings in corporate entities on the faith of the management. They are not privileged to have the kind of advice, which is often required in taking informed decisions. But these small investors are the backbone and future of any healthy capital market, in the country. It is incumbent-both upon the Government as well as the corporate sector-to nurture the confidence of this particular class and to protect their genuine interests.

While we have been taking a large number of measures to educate the investors and protect their interests, a lot more needs to be done. Through this forum, I appeal to you to come out with innovative, constructive, meaningful and effective initiatives to spread financial literacy amongst the masses.

Friends, good corporate governance does not confine itself only to the compliance with the laws but it would involve inculcation of values, morals and ethics as part of the corporate culture to which a corporate entity subscribes. Above all, there is the need to change the mind set. However, I am pained to witness that much of the efforts of our corporate leaders, echoed through media, is targeted towards the form and not the contents. In this regard I would like to invite your attention towards a few things.

For the past three years, at every important forum, I have been facing one question and that is the number of independent directors that is going to be prescribed in the new Companies Bill? Would it be different from SEBI? Should it be 50%, 33% or 25%? From the very beginning, I have been of the view that it is intention, commitment, and mind-set and not the numbers which makes the difference. I hope you will agree with me. I think in the new Companies Act, what you are expecting that is being taken care of.

Another issue to which I would like to invite your attention is how a particular statement was distorted when seen out of context. After 24th May of this year, many friends from media have been asking me – whether the Government wants to regulate the corporate salaries? A debate appears to have started on this issue and the print and electronic media has again found an interesting controversy to engage all those who claim to be part of the intelligentsia. I came to know that the genesis of the debate was the address of the Hon'ble Prime Minister at the AGM of CII on 24th May, 2007. I went through the address carefully and felt sorry for the way a particular portion of the speech was read and interpreted in isolation divorcing the context. By doing so, intentions of a person were doubted who has been spearheading the transformation of the Indian economy from a controlled, inward looking and slow

moving economy to the liberal and fast moving one that is integrating with the global economy in a smooth manner.

In this context, I would like to invite your attention to the crux of the message by quoting certain lines from the said address of the Hon'ble Prime Minister.

I quote “--- I know that you have benefited from the growth process. I also know that increasingly you benchmark yourself against global practices. I appreciate the fact that a corporate entity's primary responsibility is to its shareholders and to its employees. Your businesses have to be globally competitive. However, even to win this race, you must work in a harmonious environment, in which all citizens feel equally involved in processes of economic growth; an environment in which each citizen sees hope for a better future for him and for his or her children.” Unquote.

Friends, I urge upon you to take the message in the right perspective. We in the Government and the nation as a whole are proud of our corporate who, when given the right environment, have not only contributed immensely to the unprecedented economic growth but also changed the brand India in a short span of less than two decades. We salute our captains of trade and industry.

However, as pointed out by the Hon'ble Prime Minister, in our Third Report to the People (2004-2007) growth alone does not address the challenges of employment promotion, poverty reduction and balanced regional development. Nor does growth in itself improve human development. The National Common Minimum Programme of the UPA Govt. is based on the recognition that economic growth must be socially inclusive and regionally balanced. The growth story should not remain a fairy tale for the last man sitting at the fence. He must feel part of the whole process. I am sure, you will agree with me that if there is no kerosene in the lantern of the common man, he can never appreciate the beauty of 'India shining'.

Coming back to today's theme, I am glad that the National Foundation for Corporate Governance has joined hands with the CII to stage this National Conclave on Corporate Governance in India. Such initiatives will go a long way in promoting the culture of good corporate governance in the Indian corporate sector. The Ministry in its endeavor to provide enabling environment can only put in place a system but it is ultimately for the corporate to realize the need, importance and benefits of Good governance practices.

With these words, I wish all the best to the Conclave and hope that more such initiatives would be taken in partnership with the stakeholders.

Thank you very much and Jai Hind.