

***Corporate Governance and  
social responsibility  
The question of liability and  
its role in corporate  
governance and social ethos***

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- Like all things in the world, everything begins with the number one-the numero Uno, not meaning the best but the first, a beginning, a start. Something like baby steps. So before we start on our study of corporate governance and social effect, we have to understand that the present day corporate structure also has its roots in the 'one'. He was the 'sole trader' who in a bid to increase volumes of business formed partnerships which became the starting steps of the
- corporate structure which, in its full fledged present day form is a public limited company.

- Now, the reasons for this apparent increase in the number of owners or shareholders were varied but most prominent amongst these were increased and diversified management and limited liability. A 'sole trader' would have unlimited liability in the case of failure in business and even in partnerships, the liability clause played an unlimited and important reason for the advent of the corporate form of business governance based on the shareholding system which would limit the liability of the shareholders to only the face value of the shares held by them.

- At present, the question is, “Has this limited liability or limitation in liability for the actions of a body corporate led to rashness in corporate responsibility keeping the society in mind?”

- In my experience in working for an American bank JP Morgan EFS (Electronic Financial Services), I encountered their active participation and response to societal needs through the advent of EBT cards, also called the Essential Benefit Transaction cards. Based on the Social Security Numbers of the citizens, something like our Pan card numbers, EBT cards gave a certain amount of cash assistance and food stamps which could be exchanged for food to the unemployed, people with special abilities and the old age or senior citizens.

- Though these benefits were under the government purview, the bank JP Morgan ran operations including distribution, operation, re-issue and verification. This is an example of how even a body corporate, in this case, JPMC, can fulfill and respond to social circumstances and needs.

- Before we dwell into the intricacies of the American social security system nuances, we have to come to an understanding and overview of our economy and its present day needs. One major fillip and reason for optimism is the phenomenal rate at which developing economies including India and China have ventured into western markets and have themselves turned into consumer bases for western products and services.
- One common example would be the allocation and transfer of English speaking customer service bases to India which are outsourced to an increasingly adept segment of fresh graduates and potential employees with the required skill sets required by MNCs for operational and functional reasons.

- These Diaspora who find themselves dealing increasingly in Western culture and thought through the processes and operational requirements of interaction required for business often find themselves at crossroads or a matter of choice between an attractive and easy looking western outlook and relatively orthodox Indian ethos. This leads to questions which often decide the trend or fad for life making decisions.

- Having discussed the cultural significance of an increasingly assimilative Indian economy, the question once posed by Nehru to Gandhi assumes renewed significance. The masses, the grassroots, the rural, or an increasingly Nehruian attempt at so called modernization through sustained free flowing industrialization, that while giving on the paper returns like employment and product-market interaction raises the question of intrinsic value derivation or lets call it the 'happiness quotient' ...does it lead to more all round satisfaction?

- Now, having set a basic premise of the cultural questions confronting us, the answer may reside in a simple yet overlooked factor – ‘corporate responsibility’

- MNCs or Multi National Corporations have made their footprints across borders, and for champions of globalization, these have become a cause for celebration. Like already discussed, employment opportunities, diverse work processes, better infrastructure, have made MNCs a preferred mode of employment, investment and interaction for potential employees, investors and the general market.

- For globalization skeptics at best, the picture is mixed...In their view, the borderless economy has intensified income disparities across and within countries, favored Northern firms at the expense of local entrepreneurs, in part because of global trade rules and accelerated the destruction of critical marine, forest and atmospheric ecosystems as the culture of consumerism has fuelled relentless demands for goods and services.

- These factors have increasingly brought to the forefront the need or the question of governance of MNCs and investors, civil society and government and within MNCs themselves. The incongruity between the continued MNCs scale of influence and the absence of a generally accepted governance framework is becoming increasingly evident

- To better facilitate the understanding and scope of the role that MNCs can play in meeting social needs, specially in developing countries, I would like to elucidate JPMCs role in the US in providing a system of social security wherein a monthly benefit in the form of food stamps which can be exchanged for food and cash benefits with a certain amount of cash.

- Now, if questioned about the why's of Social Security, the answer is the simple word- Human Dignity. This amount of effort taken by the assimilation of the government and a body corporate to provide the basic necessities of food and cash helps in retaining the element that keeps us humane, that element that gives us hope, hope beyond borders, beyond hunger, beyond shelter, hope that helps us not lose that essential human element---  
**Human Dignity**

- Question!!! How relevant would a social security system in a land of Gandhi be?
- Gandhi, who changed the very rules of warfare or conflict, by giving the opponent the chance to decide, the opportunity of choosing between the higher human ideal or gross physical warfare,. He questioned the Humanity in his opponent, giving back not by the sword but by non-violence and more of it even when hit and abused. Basically, he asked them, "This is me. Do you understand that you too can be, like me...?"

- The very fact that he won, that his goal was served and his belief in the inherent humanity of not just his camp mates but also his opponents brought about what many would have called impossible. Gandhi gave us reason to celebrate being human; he gave us reason to be proud of being one.
- Let's tread carefully friends for we walk on such hallowed land where we have seen a Gandhi born.

- Horns of a dilemma, Gandhi or Nehru?  
The answer I feel lies in a Convergys of the two. A grassroots approach to Gandhian philosophy where the rural sector is given due say, call it reverse psychology, where their say would also influence corporate decisions and create goodwill, as many would agree, an important asset.

- Why then have corporate been deemed single minded, cyclopic, profit earning machines when they too could develop both intrinsic and business levels with more socially relevant and responsible interface leading to a more wholesome and ethical experience, a more complete business experience. As discussed earlier, is it because of the limited liability factor? Should a body corporate be held liable for more than the face value of the shares held by them?

- Before I end this presentation, I would like to draw attention to successful models of social security networks in our region.
- China has a network which provides guaranteed employment, guaranteed education, land (for farmers). Closer home we have Kerala and Sri Lanka where working models of Social Security are in place.

# NAMASTE...

- I end here with heartfelt thanks for being given the opportunity to present my thoughts on the issue and with hope, a hope that my country would witness a dawn where the head is held high and the mind is without fear. Thanking You...
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