GENESIS OF CORPORATE GOVERNANCE IN INDIA

TYBIM - Cassia Lopes

GENESIS OF CORPORATE GOVERNANCE IN INDIA AND ISSUES RELATING TO SCAMS

INTRODUCTION:

History of Corporate Governance in India

The concept of good governance is very old in India dating back to third century B.C. where Chanakya (Vazir of Parliputra) elaborated fourfold duties of a king viz. Raksha, Vriddhi, Palana and Yogakshema. Substituting the king of the State with the Company CEO or Board of Directors the principles of Corporate Governance refers to protecting shareholders wealth (Raksha), enhancing the wealth by proper utilization of assets (Vriddhi), maintenance of wealth through profitable ventures (Palana) and above all safeguarding the interests of the shareholders (Yogakshema or safeguard). Corporate Governance was not in agenda of Indian Companies until early 1990s and no one would find much reference to this subject in book of law till then. In India, weakness in the system such as undesirable stock market practices, boards of directors without adequate fiduciary responsibilities, poor disclosure practices, lack of transparency and chronic capitalism were all crying for reforms and improved governance. The most important initiative of 1992 was the reform of Securities and Exchange Board of India (SEBI). The main objective of SEBI was to supervise and standardize stock trading, but it gradually formed many corporate governance rules and regulations. The initiative in India was initially driven by an industry association, the confederation of Indian industry. In December 1995, CII set up a task force to design a voluntary code of corporate governance. The final draft of this code was widely circulated in 1997. In April 1998, the code was released. It was called Desirable Corporate Governance – A Code. Between 1998 and 2000, over 25 leading companies voluntarily followed the code – Bajaj Auto, Infosys, BSES, HDFC, ICICI and many others.

In India, the CII took the lead in framing a desirable code of corporate governance in April 1998. This was followed by the recommendations of the Kumar Mangalam Birla Committee on corporate governance. This committee was appointed by SEBI. The recommendations were accepted by SEBI in December 1999 and now enshrined in Clause 49 of the listing agreement of every Indian Stock Exchange.

HISTORY & NEED OF CORPORATE GOVERNANCE

Corporate governance concept emerged in India after the second half of 1996 due to economic liberalization and deregulation of industry and business. With the

changing times, there was also need for greater accountability of companies to their shareholders and customers. The report of Cadbury Committee on the financial aspects of corporate Governance in the U.K. has given rise to the debate of Corporate Governance in India.
Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economical and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects.
The “corporate governance concept” dwells in India from the Arthshastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance.
20th century witnessed the glossy of Indian Economy due to liberalization, globalization, and privatization. Indian economy for the 1st time here was together with world economy for product, capital and lab our market and which resulted into world of capitalization, corporate culture, business ethics which was found important for the existence of corporation in the world market place.

Concept of Governance

With the beginning of civilization, there arose a need for smooth administration and division of responsibilities. Since the population started to increase, people grew concerned about their welfare and able ruling. This led to the rise of an organizational structure which dealt with the nuances of firm ruling and governance. According to the American Heritage Dictionary governance is defined as “the act, process or power of governing government”; the Oxford English Dictionary defined Governance as “the act or manner of governing, of exercising control or authority over the actions of subjects; a system of regulations”. Legacy of Corporate governance was well acknowledged in the historical period. The concept of Corporate Governance is well supported by ancient Vedas, Puranas and Historical books. Corporate Governance is known for transparency and accountability in the business transaction. In ancient period, Corporate Governance was part of dharma. It was a moral duty of king to impart Governance in society. Genesis of Corporate governance is a historical question. There are many theories which support the corporate governance. For the time, immemorial Corporate Governance has been distinctive part of the society when all or most of the products consumed in a society is distributed in this way, the society is said to have a market or exchange economy. In a market economy goods are produced with a view to their being sold through wholesalers and retailers. Corporations vary as much in their social performance as their economic performance. Without doubt, corporations are essentially economic institutions with primary responsibility for maximizing the long term welfare of their shareholders. The social performance of a large corporation comprises three dimensions, corporate philanthropy, corporate responsibility, and corporate policy. Corporate philanthropy includes charitable efforts undertaken by a firm that are not directly related to its normal activities. Corporate responsibility refers to the way in which corporation behaves while it is pursuing its 3 goal of profit making. The final categories, cooperate policy, encompasses the position of a firm on issue of public policy that affect both business and society.

Genesis, Meaning and Evolution of Corporate Governance

Corporate Governance is a legal system by which companies, stock exchange and officials of corporate sector are regulated, governed and managed. Success of Corporate Governance is based on complete transparency in companies matters. Corporate Governance has given the direction to market oriented economy. Since, 1970 the world economy has been facing many problems in the form of corporate frauds and corporate scams. Corporate Policies models of group politics differ from pluralism in that attempt to trace the implications of the closer links that have developed in industrial societies between group and state. Corporation is a social theory that emphasizes the privileged position that certain groups enjoy in relation to government, enabling them to influence the formulation and implementation of public policy. Indian economic model is based on capitalistic model. In this model, Corporate Governance is very essential for balanced economy. Corporate Governance, these days has been attracting wide attention of its relations with the health of economy particularly and contribution to the living standards of the people generally. The famous economist, Milton Friedman has defined, "Corporate Governance is the conduct of business with owner or shareholders' desire, which generally will be to make as more money as possible while conforming to the basic rules of the society embodied in law and local customs.” "Corporate Governance is needed to create a corporate culture of consciousness, transparency and openness. It refers to combination of laws, rules, regulation, procedures and voluntary practices to enable the o companies to maximize the shareholders long term values. A good Corporate Governance regime are centered for the efficient use of corporate capital and also ensure, that corporation take into account the interest of wide range of constituencies including the communities within which they operates
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Arthashastra

The ***Arthashastra*** (Sanskrit: अर्थशास्त्रम्, IAST: *Arthaśāstram*) is an Ancient Indian Sanskrit treatise on statecraft, political science, economic policy and military strategy. Kautilya, also identified as Vishnugupta and Chanakya, is traditionally credited as the author of the text. The latter was a scholar at Takshashila, the teacher and guardian of Emperor Chandragupta Maurya. Some scholars believe them to be the same person,while a few have questioned this identification. The text is likely to be the work of several authors over centuries.Composed, expanded and redacted between the 2nd century BCE and 3rd century CE,the *Arthashastra* was influential until the 12th century, when it disappeared. It was rediscovered in 1905 by R. Shamasastry, who published it in 1909. The first English translation, also by Shamasastry, was published in 1915.The Sanskrit title, *Arthashastra*, can be translated as "political science" or "economic science" or simply "statecraft",as the word artha (अर्थ) is polysemous in Sanskrit;the work has a broad scope. It includes books on the nature of government, law, civil and criminal court systems, ethics, economics, markets and trade, the methods for screening ministers, diplomacy, theories on war, nature of peace, and the duties and obligations of a king.The text incorporates Hindu philosophy, includes ancient economic and cultural details on agriculture, mineralogy, mining and metals, animal husbandry, medicine, forests and wildlife.

The *Arthashastra* explores issues of social welfare, the collective ethics that hold a society together, advising the king that in times and in areas devastated by famine, epidemic and such acts of nature, or by war, he should initiate public projects such as creating irrigation waterways and building forts around major strategic holdings and towns and exempt taxes on those affected.The text was influenced by Hindu texts that such as the sections on kings, governance and legal procedures included in *Manusmriti*.

Corporate Governance in Ancient India

The concept of corporate governance had deep historical roots in ancient India. Corporate governance was an important concept in the ancient Indian commercial world. Economy was the base of all civilized society. No society can exist without economic activities. But there must be some fairness, justice in economic activities. The concept of fairness and justice is known as corporate governance. But in ancient India Corporate governance was known by different names. In ancient India Dharma was the main regulator.

PROTECTION OF INTEREST OF CUSTOMER AND INVESTORS

NEED FOR INVESTORS' PROTECTION

Individual investors including small investors generally come to know about investment opportunities in corporate securities from write ups in business newspapers and financial journals. They may subscribe to initial public offers of debt equity on the basis of newspaper reports or on the advice of brokers commission agents, and invest in existing shares on the basis of market trends, their track record, dividend payment, etc. These investors need to be protected against losses that they are likely to suffer on account of lack of information and various lacunae, lapses, and malpractices in the securities market. The more important of these are given below.

1 Public issues of shares by companies are often announced with attractive prospects of dividend distribution and growth which may be exaggerated, if not misleading. Promoters of greenfield companies are often able to allure gullible individual investors due to their inability to judge the credibility of the prospects.

2 Public issues of shares by existing companies are known to attract subscription on the basis of track record of the concerned enterprise. Past performance is usually reflected in the financial statements of the company which, in many cases, are lacking in transparency. Fresh issues of equity may be linked with expansion projects which involve risks of losses on account of uncertainties in future.

3 Investors are mostly attracted by the rising security prices and invest in shares of listed companies to derive the benefit of capital appreciation over time. But, such a trend may not persist as prices are highly sensitive and are subject to wide fluctuations. Not only

that, the stock market quotations do not usually reflect the intrinsic value of existing shares.

4 There are many listed companies having less than 100 public shareholders. Some of these companies are sold, sometimes at a huge premium for reverse mergers, whereby an unlisted company may be listed without having to make a public issue. In such cases, promoters may manipulate share prices during bull runs and sell their holdings to small investors at highly inflated prices.

5 Deficiencies in corporate governance also affect investors' interest, transparency in Investors Protection and Corporate Governance financial reporting and accountability of directors with respect to their responsibility towards minority shareholders and small investors.

6 Above all, there is the retail investors' ignorance about their rights as shareholders, absence of due diligence in the matter of financial and legal implications of corporate shareholding, and delay in the redressal of investors' complaints and grievances.

PROTECTION OF INVESTORS' INTERESTS - AN OVERVIEW

In order to protect investors' interests, a variety of provisions have been made in the Companies Act, the Securities Contracts (Regulation) Act and the SEBI Act. The Companies Act, for example, contains provisions in respect of issue of capital, appointment of managerial personnel, limits on managerial remuneration, disclosure of important information, special audit, inspection and investigation, protection of minority interests, etc. The Securities Contracts (Regulation) Act provides for the recognition of stock exchanges, general control over their trading methods and practices, regulation of contracts in securities, listing of securities, etc. As for SEBI, it was set up as a rion-statutory body in 1988 to regulate the capital market. It became a statutory board under SEBI Act in 1992 and has been made the administrative authority for enforcement of the provisions of the Companies Act with respect to several aspects of capital issues. It has issued SEBI (Disclosure and Investor Protection) Guidelines which are applicable to all public issues of capital and offers of sale by listed and unlisted companies. You have learnt about the above measures in Unit 11. However, SEBI plays a much wider role in protection of investors. It has been taking up a number steps to educate the investors through various programmes such as SMAC (Securities Market Awareness Campaign) which conducts workshops all over the country to acclimatize the investors with the functioning of the securities market, preparing a standardized reading material and audio-video clips on topics concerning investors, placing an investor website (http ://semi investor.gov.in), setting up a simple and effective internet based response to investors' complaints, and issuing advertisements relating to various aspects of securities market. Another important activity of SEBI relates to taking up investors' grievances on matters related to IPOs and capital market operations against the intermediaries registered with it and get them redressed, and undertake investigation in respect of issue related and market related matters such as market manipulation, price rigging issue related manipulation, insider trading, takeovers, etc. Thus, the investors are getting adequately educated and protected in primary and secondary markets. Of course, a lot more still remains to be done and there is a need for further strengthening the hands of SEBI with more legal and judiciary powers. powers in this regard.

PROTECTION OF THE INTEREST OF CUSTOMER

The concept of CG applies to corporate businesses across the globe and there are certain principles that have become accepted as well as required to be followed: These are:

1) Rights and Equitable Treatment of Shareholders: This means the organization is bound to respect and uphold the fundamental rights of its shareholders as well as give freedom for the expression of their rights. Also, the right to participate in the affairs of the corporation should be clearly and properly interpreted.

2) Interest of Stakeholders: This involves the organization clearly stating its legitimate stakeholders in its policies and incorporating them into its operations recognizing their legal, moral, and social obligations which should be fulfilled.

3) Role and responsibility of the board of directors: Board members should be persons with the required knowledge with vast experience in handling over management challenges. The size of the board should be determined by the required scope of responsibilities and duties.

4) Integrity and ethical behaviour: This means being a responsible company guiding the actions of directors and executives through a code of conduct established to ensure ethical and responsible decision-making.

5) Disclosure and transparency: Shareholders' information about the organization should be clearly and truthfully informed by the board and management. Mechanisms and procedures should be put in place to ensure that the organisation's integrity is maintained. These measures include the involvement of independent auditors, members of the board to check unethical behaviour or actions within the organization.

HISTORICAL PERSPECTIVE OF CORPORATE GOVERNANCE

The seeds of modern corporate governance were probably sown by the Watergate scandal in the United States. The global movement for better corporate governance progressed in fits and starts from the mid-1980s up to 1997. There were the odd country-level initiatives such as the Cadbury Committee Report in the United Kingdom (1992) or the recommendations of the National Association of Corporate Directors of the US (1995). It would be fair to say, however, that such initiatives were few and far between. And while there were the occasional international conferences on the desirability of good corporate governance, most companies — both global and Indian knew little of what the phrase meant, and cared even less for its implications. More recently, the first major stimulus for corporate governance reforms came after the South-East and East Asian crisis of 1997-98. This was no classical Latin American debt crisis. Here were fiscally responsible, healthy, rapidly growing, export-driven economies going into crippling financial crises. Gradually, governments, multilateral institutions, banks as well as companies began to understand that the devil lay in the institutional, microeconomic details — the nitty-gritty of transactions between companies, banks, financial institutions and capital markets; the design of corporate laws, bankruptcy procedures and practices; the structure of ownership and crony capitalism; sharp stock market practices; poor boards of directors showing scant regard to fiduciary responsibility; poor disclosures and transparency; and inadequate accounting and auditing standards.

Suddenly, 'corporate governance' came out of dusty academic closets and moved centre stage. Barring Japan and possibly Indonesia, countries in Asia recovered remarkably fast. By the year 2001, Thailand, Malaysia and Korea were on the upswing and on course to regain their historical growth rates. With such rapid recovery, corporate governance issues s were in the danger of being relegated to the back stage once again. There were projects to be executed, under-value assets to be bought, and profits to be made. International investors were again showing bullishness. In such a milieu, there seemed no urgent need to impose concepts like better accounting practices, greater disclosure, and independent board oversight. Corporate governance once again settled into a phase of extended inactivity.

India's experience was somewhat different from this Asian scheme of things. First, unlike South-East and East. Asia, the corporate governance movement did not occur due to a national or region-wide macro — economic and financial collapse. Indeed, the Asian crisis barely touched India.

Secondly, unlike other Asian countries, the initial drive for better corporate governance and disclosure, perhaps as a result of the 1992 stock market 'scam', and the onset of international competition consequent on the liberalization of economy that began in 1990, came from all-India industry and business associations, and in the Department of Company Affairs.

Thirdly, it is fair to say that, since April 2001, listed companies in India are required to follow some of the most stringent guidelines for corporate governance throughout Asia and which rank among some of the best in the world.

Even so, there is scope for improvement. For one, while India may have excellent rules and regulations, regulatory authorities are inadequately staffed and lack sufficient number of skilled people. This has led to less than credible enforcement. Delays in courts compound this problem. For another, India has had its fair share of corporate scams and stock market scandals that has shaken investor confidence. Much can be done to improve the situation.

Just as the global corporate governance movement was going into a bit of hibernation, there came the Enron debacle of 2001, followed by other scandals involving large US companies such as WorldCom, Qwest, Global Crossing and the exposure of lack of auditing that eventually led to the collapse of Andersen. After having shaken the foundations of the business world, that too in the stronghold of capitalism, these scandals have triggered another more vigorous phase of reforms in corporate governance, accounting practices and disclosures — this time more comprehensively than ever before.

As a US — based expert recently put it, "Enron and WorldCom have done more to further the cause of corporate transparency and governance in less than one year, than what activists could do in the last twenty."

This is truly so. In June 2002, less than a year from the date when Enron filed for bankruptcy, the US Congress introduced in record time the Sarbanes-Oxley Bill. This piece of legislation (popularly called SOX) brought with it fundamental changes in virtually every area of corporate governance — and particularly in auditor independence, conflicts of interest, corporate responsibility and enhanced financial disclosures. The SOX Act was signed into law by the US President on 30 July 2002. While the US Securities and Exchanges Commission (SEC) is yet to formalize most of the rules under various provisions of the Act, and despite there being rumbles of protest in the corporate world against some of the more draconian measures in the new law, it is fair to predict that the SOX Act will do more to change the contours of board structure, auditing, financial reporting and corporate disclosure than any other previous law in US history.

Although India has been fortunate in not having to go through the pains of massive corporate failures such as Enron and WorldCom, it has not been found wanting in its desire to further improve corporate governance standards. On 21 August 2002, the Department of Company Affairs (DCA) under the Ministry of Finance and Company Affairs appointed this Committee to examine various corporate governance issues.

ISSUES AND CHALLENGES IN CORPORATE GOVERNANCE

Issues and Challenges in Corporate Governance

1. **Selection procedure and term of Board:**
   The selection procedure adopted in Indian corporations is the biggest challenge for good corporate governance. Law requires a healthy mix of executive and non-executive directors, independent directors, and woman directors. Most companies in India tend to only comply on paper; board appointments are still by way of **word of mouth** or fellow board member recommendations. It is common for friends and family of promoters and management to be appointed as board members.

   Life-term board members can pose many problems to business say fixed beliefs, power gaining etc. so no business prefers to appoint board members for life-term. And if the board is very short then they will not take long term decisions with full of their efficiency because in long run they will be changed or relieved from their duties. So the term of board must be fixed with due attention. Typically in a board of directors, directors sit for a brief term say 2 to 5 years and it is good practice to switch some of directors at a fixed time interval instead of changing whole board at a single time.

2. **Performance Evaluation of Directors:**
   SEBI, India's capital markets regulator, has released a 'Guidance Note on Board Evaluation' in January 2017. Which cover all major aspects of Board Evaluation including the Subject & Process of Evaluation, Feedback to the persons being evaluated, Action Plan based on the results of the evaluation process, Disclosure to stakeholders, Frequency & Responsibility of Board Evaluation. But for achieving the desired objectives from performance evaluation, they need to make the evaluation result public and these disclosures may put the corporate in big trouble.

3. **Missing Independence of Directors:**
   Independent directors' appointment was supposed to be the biggest corporate governance reform by kumar mangalam committee on corporate governance in 1999. However in reality independent directors have hardly been able to make the desired impact. Till now the appointment of directors in most of companies is made at the discretion of promoters, so it is still questionable.

For providing the true success it is necessary to limit the promoter's powers in matters relating to independent directors.

4. **Removal of Independent Directors:**
Under law, an independent director can be easily removed by promoters or majority shareholders. When an independent director doesn't take the side with promoter's decisions, they are removed from their position by promoters. So to save their post directors have to work for the interest of promoters. To resolve this issue SEBl's International Advisory Board had proposed an increase in transparency for the appointment and removal of directors.

5. **Liability toward Stakeholders:**
Indian company act 2013 mandates that directors owe duties not only towards the company and shareholders but also towards the other stakeholders and for the protection of the environment. But generally, board tries to limit and escape from these kinds of accountability good idea to require the entire board to be present at general meetings to give stakeholders an opportunity to pose questions to the board.

6. **Founder/Promoter's extensive Role:**
In India, instead of separate entity of businesses, promoters or founders continuously influence the business decisions Family owned Indian companies suffer an inherent inhibition to let go of control. They affect the decisions by influencing the board and management. This is done because they had the significant portion of company's share. So to remove this issue it will be good idea to amplify the shareholder base and reduce the shareholding of founders.

7. **Transparency and Data Protection:**
Corporate governance is based on the principle of transparency but it cannot be defined what information is to be disclosed or not. In today's cut throat environment of competition it can be very dangerous if wrong information be disclosed. In digitalization Privacy and data protection is a central governance issue. For this the board must be capable of handling data and to ensure the protection of such data from potential misuse. And by looking at

the importance of data and the potential cost if data be misused, we can say that organization must invest a reasonable amount of resources to protect the data.

8. **Business Structure and internal conflicts:**
   Business structures also put hindrance on the way to good governance as they require many layers of management, executives and other officers. This makes it very difficult for the company leaders to receive accurate, important data from the lower levels and to command orders to lower level of the company as the data may be distorted at any point of chain. Board of executives can make much good decisions and policies. But if the internal relationship in the organization says between board and managers is not good then the implementation of decisions and policies also get affected. Rebellious managers can sabotage corporate decisions and policies at many levels of the business.

9. **Environment of mistrust:**
   In recent years, many scams, frauds, misappropriation of public money, and corrupt practices have taken place and because of the doubtful practices of key executives and board members, confidence of investors and society has diminished. It is happening in the stock market, banks, financial institutions, companies and government offices. This has made the business environment distrustful

Challenges & Imperatives

1. A corporation should be fair and transparent to its stakeholders in all its transactions. This has turn imperative in present's globalized business world where corporations need to access global pools of capital need to attract and retain the good human capital from various parts of the world. Unless a corporation embraces and demonstrates ethical conduct, it'll not be capable to succeed.

2. What's **Corporate Governance** it's known fact that vital necessities of success of any association lingers on its ability to mobilize and use all kinds

of resources to meet the objects easily set as part of the planning process.

3. Corporate governance is about ethical conduct in business. Ethics is concerned with the law of values and principles that enables a person to choose between right and wrong. Further, ethical dilemmas arise from clashing interests of the parties involved.

4. It's enough possible that in the effort at arriving the best possible financial results or business results there could be attempts at doing things which are verging on the illegal or indeed illegal. There's also the possibility of grey areas where an act isn't illegal but considered unethical. These raise moral issues.

5. The quick migration of four elements across national borders. These are:

    1. Physical capital in terms of plant and machinery;
    2. pecuniary capital;
    3. Technology; and
    4. Labor.

6.

7. Strong corporate governance is essential to flexible and vibrant capital markets and is an important instrument of investor protection.

8. Companies raise capital from market and investors suffered due to unscrupulous guidance that performed much worse than past reported figures. Numerous corporates didn't pay heed to investors grievances.

9. The board of directors and the elderly position administration of an enterprise- walking their talk. It's by walking their talk that the top

administration can earn credibility. This also has a direct bearing on the morale of an organization.

10. When it comes to the hardware aspect of corporate governance, we go into the issue of a law, which becomes a reference point for actions. But the sad fact in our country is that even though there's a lot of talk about corporate governance, when it comes to reality, nothing big happens.

11. In the Indian context, lack of clarity leads to corrupt or illegal actions.

12. Maybe the most important challenge we face towards better corporate governance is the mindset of the people and the organizational culture. This change will have to come from within.

13. Another important aspect is to realise that eventually the spirit of corporate governance is more important than the form. Substance is more important than style. Values are the substance of commercial governance and these will have to be definitely articulated and systems and procedures devised, so that these values are practiced.

14. We then come to a common moral problem in running enterprises. One can have practices which are legal but which are unethical. In fact, numerous a time, tax planning exercises may border on the fine razor's edge between the rigorously legal and the patently unethical.

Conclusion

The concept of corporate governance hinges on total transparency, integrity and responsibility of the administration and the board of directors. Be it finance, taxation, banking or legal structure each and every place requires good corporate governance. Corporate Governance is a means not an end, Corporate Excellence should be the end. Once, the good Corporate Governance is achieved and the Indian Commercial Body will shine to outshine the whole world.

In the Indian context, the need for corporate governance has been pointed because of the frauds occurring constantly since the emergence of the concept of liberalisation from 1991. We had the Harshad Mehta fraud, Ketan Parikh Scam, UTI fraud, Vansishing Company Scam, Bhansali Scam and so on. In the Indian corporate scene, there's a need to induct global standards so that at least while the scope for frauds may still exist, it can be at least reduced to the minimum.

VALUES

MEANING

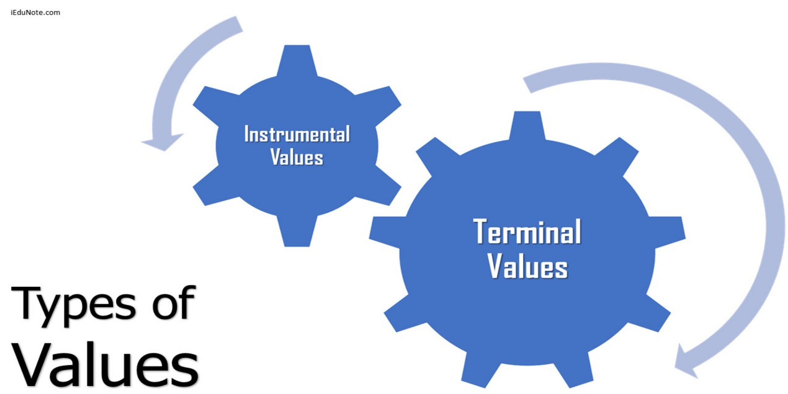
Values defined in Organizational Behavior as the collective conceptions of what is considered good, desirable, and proper or bad, undesirable, and improper in a culture.

Some common business values are fairness, innovations and community involvement.

According to M. Haralambos, “A value is a belief that something is good and desirable”.

According to R.K. Mukherjee, “Values are socially approved desires and goals that are internalized through the process of conditioning, learning or socialization and that become subjective preferences, standards, and aspirations”.

TYPES



The values that are important to people tend to affect the types of decisions they make, how they perceive their environment, and their actual behaviors.

There are two types of values;

1. Terminal Values.
2. Instrumental Values.
3. Dominant Values
4. Cultural Values

TEACHING FROM SCRIPTURES LIKE GITA, QURAN, BIBLE VALUE SYSTEMS IN BUSINESS

TEACHINGS FROM GITA

The Process Is Important, Not Just The Performance

Measure the journey itself, not just the outcome! The Hindu scripture Bhagavad Gita stresses a focus on *karma*, i.e. the work itself, rather than only the outcome. Even Buddhism espouses a focus on the present, ahead of the future. Ensure the most of what is there right now, not just what can happen. As companies measure the ultimate profit margins and return on equity, it is important to measure the current process itself. A business example is when companies track not just margins, but also periodic operations metrics like productivity, interactions, pitches, collections, etc. It would also help identify early warning signals for variances that could eventually impact the ultimate profits. Without ensuring the means to the end, the end itself would never be realized anyway. Focusing on the ultimate goal is one thing, but taking the attention away from the process itself would spell trouble.

Sell The Bigger Vision, But Move In Smaller Steps

Show the larger picture, but push the change in small steps! Moses showed the bigger vision of the Promised Land to the Jews in Egypt but requested the Pharaoh with smaller nudges to free his people. While the big vision helps drum support for the plan as it gives clarity of purpose, people are often resisting radical and drastic changes. Hence, change should be pushed in small measurable steps, as it smoothens this resistance and moves the task to the bigger vision. This also includes communicating the plan properly so that everyone is on the same page. That means the leader also has to be great storyteller if he has to sell his big vision to a heterogeneously large group. Jesus Christ scored on this front, through his famed approach of speaking in parables to build context for his listeners. A business example is India's recent demonetization, where the bigger vision of fighting corruption was shown, although one may argue whether the change was done in smaller steps or in one radical "band-aid" move?

Leaders Have To Be In The Cockpit, Not Just In The Control Tower

Both Moses and Prophet Muhammad teach an important leadership lesson – when the going gets tough, the leaders have to get going. Whether it was the Prophet leading the Muslims to fight against the Meccan attackers at Badr or Uhud, or Moses leading the Jews to make the great crossing to the Promised Land, in both cases the leaders themselves rolled up their sleeves and got their hands dirty instead of just giving directions from a safe haven. When times are tough, the leader leads by actually doing the task himself, not just by giving directions. Examples abound even outside business or religions; be it of the US President flying into the mission himself in the movie Independence Day, or of the Indian cricket captain coming out to bat at a tricky juncture in the World Cup final match. Such leaders are often more admired, unlike CEOs of bankrupt Indian companies who may leave for foreign shores using legal loopholes, while leaving their creditors and employees stuck in a rut at home.

Be Fearless When Trying Something New

The Guru Granth Sahib is full of examples of being fearless against all the odds, especially when the odds look mighty. It was always safer to remain in the comfort zone rather than trying the unconventional, but fighting against such odds is a sheer test of fearlessness. Sikhism taught us there are times when it better to die while standing straight, rather than survive by crawling on one's knees. In the business world too, there are often tricky situations wherein numerous naysayers will dissuade you from trying unconventional tactics, even if it's apparent that conventional solutions will fail. How does the business remain fearless when pushing for such unconventional change against all the odds? Cricket also reminds us of two examples, when the crucial last overs in the T-20 World Cup and Hero Cup finals were given to new bowler Sharma and part-time bowler Tendulkar, instead of the conventional options.

Keep The Promise

Jesus Christ taught us to keep our word! It is amazing how in today's competitive business world where most products are getting commoditized very quickly, often it is the un-adherence of basic quality or service standards that causes maximum client attrition. After all, quality and service that is promised is something everyone takes for granted. But it is actually ending up as the main differentiator, as many companies actually do not deliver on what they promised. Some of India's biggest companies rank pathetically low on this. If a company cannot deliver what it promised, it will always face the leaking bucket syndrome, i.e. always need to replenish lost customers.

Do Not Fall In Love With Your Decisions

One has to be adaptable, rather than get attached! The Gita makes this business-type observation, be adaptable to changing situations rather than be fixated on what you originally thought. The business environment is constantly changing be it due to systemic or external factors, and one needs to change along with it to avoid becoming irrelevant. Attachment is good as it creates emotional bonds, but too much attachment can prove detrimental since it creates a barrier to change. A business example is exploring new options, ideas and innovations, which may help it maintain and grow its market share in a competitive market; even if it means getting out of the comfort zone of its earlier strategies. But at the same time, it is critical to evaluate the new ideas deeply before rushing to change just because of the heck of changing. To put it in a business perspective, it means trying every new business strategy, or idea on the board can just end up burning the invested capital while yielding minimal aggregate returns. It may be better to invest a bit extra time to evaluate and pick the relevant strategy, and then change!

Involve Multiple Views In Decisions

A consultative approach to decisions was advocated by the Prophet, and this is important for business too. Involving the community is an oft used approach in Judaism as well. Everyone has some specialised knowledge or skills, which others can gain from. It is not possible for one to know everything. The best solution is to pool together all the knowledge and skills from different specialists so that the best decision can be taken. If decisions are based on half-knowledge or on the basis of people not be fully conversant with that topic, then the task is bound to fail. A business example is when a plan fails as the CEO felt he did not need the advice from those lower in the ranks, even if they are specialists of their domains. However, a CEO who pools ideas from relevant stakeholders may win.

People Manager First, Product Manager Later

Business managers have to manage people really well, just like Moses did during the journey to the Promised Land. Managing people includes your successors who will succeed to carry on the task, involving the more experienced older colleagues in the decision process, and tactfully isolating trouble-makers so that they cannot negatively affect the others. One can always hire good product managers to ensure quality standards, but handling people is critical across all levels, in whichever situation, for whatever objective. A succession plan is an imperative, be it for the task at hand when you are absent, or for the company as a whole. Valuing the experience of senior peers has its advantages, as they have seen more cycles than you and can offer more insights and anecdotes on what can work or not. Trouble-makers can bring a revolution in the ranks if left as they are. Hence one has to either address their concerns if genuine or diplomatically remove their influence from the group. All these test people skills immensely.

No One Likes Arrogance

Jesus Christ and Guru Nanak both showed the virtue of being humble and compassionate, even to one's hardest critics. This includes keeping up one's integrity and values, something the Holy Quran also espouses. In the world of business, many CEOs act arrogant if they have achieved to crack their markets while many remain humble. How many people would like to work for either CEO? It does not mean the arrogant one is wrong, but they may find it hard to get the loyalty of their people; as those people only support the performance, not the personality. Since performance can be temporary, so can the support. A business example is when young CEOs of Indian start-ups act with utter arrogance on public forums.

Knee-Jerk Reactions Are Best Avoided

As per the Gita, knee-jerk reactions are often done without proper reasoning and clarity, and the ensuing confusions only fan the smoke further instead of helping solve the issue. A constantly changing environment means sudden situations that may not be palatable! The result – we often resort to knee jerk reactions that cause us more harm. A business example is firing a manager who reached low sales targets for few months, instead of addressing business issues that may have genuinely impacted his performance. Such a hire and fire attitude only erodes the business's brand in the market and ensures even high potential prospect employees refrain from joining. It is better to evaluate and reason out the situation with proper focus, as that would yield better results.

In conclusion, our religious scriptures are full of many more lessons that can be relevant in the context of modern-day business management. While many of the examples mentioned herein may sound clichés, it is worth noting that there is actually not much difference between what our religions teach us and what management teaches us. There may be a Venn-diagram between them, after all!

IMPORTANCE OF CHRISTIAN ETHICS IN BUSINESS

Modeling good Christian values in life and in business can be challenging, but also incredibly fulfilling. But you can be both: a good Christian and a successful businessperson. In fact, Warren Buffet would agree. The multibillionaire believes that **integrity and ethics are essential to success**. As you pursue your own path, hold fast to your beliefs and treat your employees, customers, and even your competitors the way you would want to be treated. And if you have any doubts on how to apply your Christian values to your business dealings, turn to the Bible.

Be Honest in the Business Setting

Better is a poor person who walks in his integrity than one who is crooked in speech and is a fool. Proverbs 19:1

Whether you have an entry-level position or are on your way to a C-level suite, honesty should be at the foundation of all you do. It is the easiest way to apply your Christian values to any business setting. It also sets an example for others and provides consistency in the workplace. Especially as you progress in your career, when others know they can trust your word, you're more likely to be considered for advancement, opportunity, and colleagueship.

Treat People Right in Business

Therefore all things whatsoever ye would that men should do to you, do ye even so to them: for this is the law and the prophets. Matthew 7:12

The golden rule is one of the first lessons we all learn as children. It's a North Star that guides many people regardless of faith. It is also one of the cornerstones of good business. Companies that treat their employees well also happen to be quite successful. In fact, some of the largest, most successful companies are also among the most ethical. In its **2021 list of the World's Most Ethical Companies**, Ethisphere included such familiar names as AT&T, Aflac, Dell, Hanes, IBM, Pepsico, Prudential, and Sony.

Be Fair in Business Practices

And if thou sell ought unto thy neighbour, or buyest ought of thy neighbour's hand, ye shall not oppress one another. Leviticus 25:14

While it may be instinctual to take care of your employees, it's also important to be fair in business dealings with your competitors. Doing what's right may not always be easy, but being fair and honest enhances your reputation and helps you to build business relationships that could serve you far into the future. Companies that consider their competitors to be enemies exert energies where they shouldn't and sometimes end up spending millions of dollars in courtrooms when they should be in the board room.

Invest Wisely in Businesses

For which one of you, when he wants to build a tower, does not first sit down and calculate the cost to see if he has enough to complete it? Otherwise, when he has laid a foundation and is not able to finish, all who observe it begin to ridicule him, saying, 'This man began to build and was not able to finish.' Luke 14:28

Businesses exist to make a profit. There isn't anything unchristian about earning money, striving to succeed, and taking care of your family. But the Bible teaches us to be wise in these endeavors. Make short and long-term plans that will help build your own career and add to the worth of your organization. That means choosing good advisors, living within your means, investing with care, and planning for tomorrow—whether for you personally or the company for which you work. When you invest wisely, you reap rewards that that can serve you and others.

Donate to Worthy Causes

Now this I say, he who sows sparingly will also reap sparingly, and he who sows bountifully will also reap bountifully. Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver. And God is able to make all grace abound to you, so that always having all sufficiency in everything, you may have an abundance for every good deed 2 Corinthians 9:6

Just as companies that treat its employees well tend to do better than those that do not, those organizations that give back to the community also reap rewards that are both altruistic and financial. Generosity, whether that comes in the form of giving money, expertise, time, or care is a bedrock of Christian ethics. When you support causes that align well with your principles, you demonstrate good personal and corporate citizenship.

Many business leaders understand that faith and success need not be mutually exclusive. You can bring your Christian principles into work and be someone who leads with authority, compassion, and integrity.

ISLAMIC ETHICS

Ethics is a set of moral principles which enable a person to distinguish between things which one is good and which one is bad. The term ethics is often use as morality, morality in actions is very important constituent no behaviour can be positive without good and resonance base of ethics. Ethics also sustain behaviour and it leads good attitude (Dr Sabahuddin Azmi).

Basically the word ethics if we see it in Islamic perspective means to see what is good and bad socially as well as morally because ethics is something which play important role for making and developing an sound and pious society (Sayyid Abul A'la Mawdudi, 1994). To be ethical, it is required to have clear good judgment and responsibilities. The ethics can be covered from education, a person can get and train ethically by learning, but there is no need of some special education for ethics a person can learn from his surrounding and environment. To solve difficult situation and face different problem requires ethical understanding, a good human interaction needs a good and sound base of ethics, if a business want to be called an ethical accepted business, so it requires to take such action which are ethically accepted. Most people think that business has nothing to do with ethics but if business ignored the ethical standard will loose its image and not be able to survive (Muhammad Tufail, 2009).

CORRUPTION

MEANING

Corruption

Corruption happens when one abuses power entrusted to them for personal gain. This misuse of power erodes the trust between two or more parties and makes a democracy weak. Not only that, but corruption can also hinder the economic growth of a nation and aggravate poverty and inequality. It is essential to understand how corruption works to be exposed and the corrupt can be held responsible for creating a corrupt system.

Corruption Definition

Corruption refers to misusing public power for personal gain. It can be done by an elected politician, civil servant, journalist, administrator of a school, or anyone in authority. Apart from public corruption, we also have private corruption between individuals and businesses. For instance, education, heritage, marriage, etc. Thus, the corruption definition applies to different forms.

Causes of corruption

Although corruption differs from country to country, it is possible to identify some of the key common driving forces that generate it. What is common to all countries, which are among the most corrupt, has been identified by Svensson [10]; all of them are developing countries or countries in transition,

- with rare exceptions, low-income countries,
- most countries have a closed economy,
- the influence of religion is visible (Protestant countries have far the lowest level of corruption),
- low media freedom and
- a relatively low level of education.

Regardless of the above, corruption cannot be assessed unambiguously, since there is never only one phenomenon that is responsible for the occurrence and the development of it; corruption always arises from an array of several, interrelated factors, which can differ considerably from one another. Among the most commonly mentioned factors that influence the development of corruption are: political and economic environment, professional ethics and legislation, as well as purely ethnological factors, such as customs, habits and traditions.

Effects Of Corruption On People, Society & Economy

Updated On 13/07/2022 by ranga nr

The impact of corruption on public life can be very hard. It can derange the economy, health, and quality of life. Despite this, it appears that corruption is ever-rising and unstoppable.

Further, since there are different types of corruption, it is hardly easy to escape the corruption effects. This is more of an awkward and defaming condition than being problematic.

The people involved in corruption seem to be proud of themselves as they make more money in a short time. To worst part is that those involved in corruption can get better promotions and opportunities than others.

The public also has developed an opinion that it is the only way to get their work done. If not, the work will be pending for a long or might not even be done.

Effects of Corruption

Corruption Effects on People and Public Life

Lack of quality in services

In a system with corruption, there is no quality of service. To demand quality, one might need to pay for it. This is seen in many areas like municipality, electricity, distribution of relief funds, etc.

If a person has to purchase a like medicine due to corruption in education, then the candidate, after completion of his course, will not like to provide quality health service if there is not enough remuneration for his service.

Further, candidates who do not have the ability can also get into the same seat by purchasing it. So though he becomes a medical practitioner, he may not be competent enough.

Lack of proper justice

Corruption in the judiciary system leads to improper justice. And the victims of offense might suffer. A crime may be proved as a benefit of the doubt due to a lack of evidence or even the evidence erased. Due to corruption in the police system, the investigation process goes on for decades.

This lets the culprits roam free and even perform more crimes. There are even chances that criminals due to old age due to the delayed investigation. So it leads to a sense of "Justice delayed is justice denied."

Chances of Unemployment

This we can see with an example. The private education and training institutes are given permits to start providing education. This permit is given based on the infrastructure and sufficient recruitment of eligible staff. Here there are good chances of corruption. The institute or college managements try to bribe the quality inspectors so as to get permits. Though there is no sufficient eligible staff, these institutes get permission from the inspectors leading to unemployment. Instead of 10 faculties, a college is run by 5. So, even if well-qualified persons wish to get a job there, they will not be offered. If there were no corruption by inspectors, then there would be a chance for more employment.

Poor Health and hygiene

In countries with more corruption, one can notice more health problems among people. There will be no fresh drinking water, proper roads, quality food grains supply, milk adulteration, etc.

These low-quality services are all done to save money by the contractors and the officials who are involved. Even the medicine provided in hospitals for hospitals is of sub-standard quality. So all these can contribute to the ill health of a common man.

Pollution

It arises mostly in the form of water, air, and land pollution.

Vehicles and factories are the main sources of pollution. The governments have a monitor on this pollution by regular check of vehicle emissions and also industrial exhausts.

Corruption in the government department lets the industry people opt to release untreated and harmful waste into rivers and air. If there is no corruption, there can be fair probes. The industry personnel will then treat the waste such that it is less toxic and harmless to the environment and people in it. So we can mean that corruption is also the main cause of pollution.

Accidents

Sanction of driving license without a proper check of driving skills leads to accidents and death. Due to corruption, there are countries where one can drive a license without any tests.

Failure of genuine research

Research by individuals needs government funding. Some of the funding agencies have corrupt officers. These people sanction the funds for research to those investigators who are ready to bribe them.

In doing so, they do not sanction the funds to genuine and hardworking investigators. Thus the research and development will be lagging. This seems to be not a problem for the common public.

But if we notice the resistance of microbes to drugs, we can know that there were no new compounds discovered in the past few decades for the efficient treatment of resistant microbes.

Effects of corruption on Society

Disregard for officials

People start disregarding the official involved in corruption by talking negatively about him.

But when they have work with them, they again approach them by thinking that the work is done if some monetary benefits are provided.

Disregard officials will also build distrust. Even lower-grade officers will be disrespectful to higher-grade officers. So even he may not obey his orders.

Even incidents where a lower grade police officer kidnapped higher grade officers for not offering him leave when asked.

Lack of respect for rulers

Rulers of the nation like the president or prime ministers lose respect among the public. Respect is the main criteria in social life.

People go for voting during the election with the desire to improve their living standards by the election winner and respect for the leader.

If the politicians are involved in corruption, people knowing this will lose respect for them and will not like to cast their vote for such politicians.

Lack of faith and trust in the governments

People vote for a ruler based on their faith in him/ her. But if leaders are found to be involved in corruption, people lose faith in them and may not vote next time.

Aversion for joining the posts linked to corruption

Sincere, honest, and hardworking people develop an aversion for the particular posts deemed corrupt.

Though they like those jobs, they tend not to opt for them as they believe that they also would have to be involved in corruption if they get into the post.

Effects of corruption on Economy

A decrease in foreign investment

Many incidents wherein foreign investments that were willing to come to developing countries have gone back due to heavy corruption in government bodies.

Delay in growth

Due to a desire to mint money and other unlawful benefits, the official who needs to pass the clearances for projects or industries delays the process. A work which can be done in a few days may be done in a month.

This leads to delay in investments, the starting of industries, and also growth. Even if they started, company growth hinders as every work linked to officials gets delayed due to the need to provide bribes or other benefits.

Lack of development

Many new industries willing to get started in a particular region change their plans if the region is unsuitable.

If there are no proper roads, water, and electricity, the companies do not wish to start up there. This hinders the economic progress of that region.

Differences in trade ratio's

Some countries have inefficient standard control institutes. Or in other words, these standard control institutes are corrupt and can approve low-quality products for sale in their country.

Hence you can see countries manufacturing cheap products dump them in big markets. These countries can manufacture cheap quality products but cannot dump in countries with strict standard control institutes. They can do so only in countries with chances of corrupt officials in standard control.

One best example is products that can't be dumped into Europe, and US markets can be done in other country markets with poor import regulations and quality checks.

So there arises a trade deficit that these countries cannot manufacture their own products at a lower price than those exporting to them. So if corruption is minimized, these countries will have fewer trade deficits in terms of exports and imports with other countries, and their economies can prosper.

10 types of banking frauds in India customers should know about

During the COVID-19-induced lockdowns, digital modes of payments have seen a lot of traction. Customers benefit from digital payments because they make financial transactions easier. However, this also invited many fraudsters to make use of gaps and dupe the customers in different ways. To make banking customers aware of digital payments-related frauds, the Reserve bank of India has released a booklet that throws light on the modus operandi of such scamsters and what precautions customers should ..

1. How does Phishing hacks work

Fraudsters create a phishing website that appears to be a legitimate website, such as a bank's website, an e-commerce website, a search engine, and so on. Fraudsters distribute links to these websites by SMS, social media, email, and Instant Messenger, among other methods.

2. How does Vishing work

Imposters acting as bankers, firm executives, insurance agents, government officials, and others call or approach customers over the phone or over social media. Imposters disclose a few consumer facts, such as the customer's name or date of birth, to win trust.

Imposters may pressure or trick customers into sharing confidential information such as passwords, OTPs, PINs, and Card Verification Values (CVVs) by citing an urgency / emergency such as the need to block an unauthorised transaction, payment required to avoid a penalty, or an attractive discount, among other things. Customers are then defrauded using these credentials.

3. Frauds using online sales platforms

On online sales platforms, fraudsters pose as purchasers and express an interest in the seller's product(s). several fraudsters pose as defence personnel stationed in remote regions to gain trust.

Instead of paying the seller, they use the Unified Payments Interface (UPI) app's "request money" option and demand that the seller authorize the request by entering the UPI PIN. Money is transferred to the fraudster's account whenever the seller inputs the PIN.

4. Frauds due to the use of unknown/unverified mobile apps

According to RBI, fraudsters circulate through SMS, email, social media, Instant Messenger, etc., certain app links, masked to appear similar to the existing apps of authorised entities. Fraudsters trick the customer to click on such links which results in downloading of unknown / unverified apps on the customer's mobile, laptop, desktop, etc.,

5. ATM card skimming

Skimming devices are installed in ATM machines by fraudsters who take data from the customer's card. According to the RBI release, "Fraudsters may also install a dummy keypad or a small / pinhole camera, well-hidden from plain sight to capture ATM PIN. ? Sometimes, fraudsters pretending to be other customer standing near-by gain access to the PIN when the customer enters it in an ATM machine. This data is then used to create a duplicate card and withdraw money from the customer's account."

6. Frauds using screen sharing app / Remote access

RBI warns customers stating the procedure that "Fraudsters trick the customer to download a screen-sharing app. Using such an app, the fraudsters can watch/control the customer's mobile / laptop and gain access to the financial credentials of the customer. Fraudsters use this information to carry out unauthorised transfer of funds or make payments using the customer’s Internet banking/payment app**7. SIM swap or SIM cloning**

In cases like SIM swap or SIM cloning, “Fraudsters may obtain a duplicate Subscriber Identity Module (SIM) card (including electronic-SIM) for the registered mobile number linked to the customer's bank account by gaining access to the customer's Subscriber Identity Module (SIM) card,” states RBI.

Fraudsters use the OTP received on such duplicate SIM to carry out unauthorised transactions. Fraudsters generally collect the personal / identity details from the customer by posing as a telephone / mobile network staff and request the customer details in the name of offers such as - to provide free upgrade of SIM card from 3G to 4G or to provide additional benefits on the SIM card.

8. Frauds by compromising credentials on results through search engines

Customers use search engines to find contact information for their bank, insurance company, Aadhaar updation centre, and other businesses. These contact details on search engines are frequently modified to appear as if they belong to the respective entity by scammers.

“Customers may end up contacting unknown/unverified contact numbers of the fraudsters displayed as bank/company’s contact numbers ..

9. Scam through QR code scan

RBI explained how scam through QR code works, “Fraudsters often contact customers under various pretexts and trick them into scanning Quick Response (QR) codes using the apps on the customers’ phone. By scanning such QR codes, customers may unknowingly authorise the fraudsters to withdraw money from their account”.

10. Impersonation on social media

With lots of people spending time on social media and updating their details has made fraudsters easy to get details to dupe the people. As per the RBI booklet, "Fraudsters create fake accounts using details of the users of social media platforms such as Facebook, Instagram, Twitter, etc. Fraudsters then send a request to the users' friends asking for money for urgent medical purposes, payments, etc. Fraudsters, using fake details, also contact users and gain users' trust over a period of time. When the users' share their personal or private information, the fraudsters use such information to blackmail or extort money from the users."