



# Relevance of Ancient Indian Ethos in Corporate Governance

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**Ethos** refer to discipline that examines one's morality or say it is the expected standards in terms of personal and social welfare. The objective is to develop proper governance, to ensure all round development, work sincerely and productivity of human being. India is a land of governance more specifically, self governance. Lots of stories are told and heard by till recent generation about the governance, its importance and benefit in our lives and the importance of sharing wealth with needy.

The world of law, governance et al is no exception with our scriptures waxing eloquent on every aspect of them- micro and macro- over the millenia. From the *aporurusheya Veda* to the times of Kautilya's *Arthshastra* to M S Golwalkar's *Bunch of thoughts*' it is quite astounding to discern and see the major contributions made by the Hindu way of thought and life to all matters ranging from law and governance to corporate social responsibility and standard setting.

The process of governance involves three aspects i.e. maximum utilisation of resources, leading efficiency and materialising the organisational goals towards effectiveness and value addition to the world suggesting social responsibility. In this regard, following principles of Indian Ethos can be said useful for the management practitioners to govern-

- 1- Karma Yoga offers principle of working for God and detachment from its fruits,
- 2- Holistic approach indicating unity between the divine individual self and universe{ Vasudhav Kutumbkam},
- 3- One must develop one's third eye{ jnan chakshu} or the eye of wisdom,
- 4- Cooperation and interdependence,
- 5- Honesty and integrity

## Corporate Social Responsibility –

The object of any business is to make profit legally. Saint Thiruvalluvar says that, yes, acquiring wealth is important, what is more important is equitable distribution of it among the stakeholders and for public good. This is the spirit of corporate social responsibility that is being discussed today. Nobody could remain rich at the cost of others. Wealth, if distributed among the public multiplies faster and helps faster growth of economy. Kautilya in Arsthashashtra stressed the importance of happiness in an organization. according to him – “*Sukhasya Moolam Dharma*” which means that happiness is obtained not only by wealth and profit but also by doing things rightly and doing right things Kautilya also added that “*Darmasya Moolam Artha*” which means that Dharma without wealth is toothless and wealth without dharma is useless.

Kautilya further stated that to generate wealth you require an organisation or an asset – “*Arthasya Moolam Rajyam*”. He then stated that the support for organisation is the body organs- *Rajasya Moolam Indrivajayah*- their functions, processes, activities etc. Only the leader of an organisation who has conquered the organs of his body would be able to put the goals of the organisation first especially when in conflict with self-interest.

The key areas where we can use the ancient period governance in present day situations are-

- 1- Corporate Governance Learning on Leadership qualities and skills
- 2- Selection of right person for right job
- 3- Accountability and Delegation of Authority
- 4- Intelligence system to control corruption and monitoring of tasks
- 5- Social welfare ideas of king and his team i.e. in today’s context known as Corporate Social Responsibility

## Corporate Governance – A philosophical approach with reference to ancient scriptures of

### India –

Our Vedas – Much has been explained in our Vedas :1) Satyam or Truth, 2) Tapah or Austery, 3) Damah or Sense Control, 4) Samah or Tranquility of Mind, 5) Dharma or Righteousness, 6) Danam or Charity, 7) Daya or Mercy and 8) Nyasah or Renunciation. The Vedas therefore indicate the path of attaining knowledge, the realisation of the abstract through the concrete. There is always a possibility to achieve everything positive with a right approach in implementing the social responsibilities concerned with-

- 1- Family Welfare Programme, where every employee work under the belief that he or she will be looked after during the times of need where he or she is not just an employee but a member of the large family
- 2- Community Development Programme, where the corporate houses perceive it is their moral duty to undertake the responsibilities of the community they belong
- 3- Corporate Philanthropy part of their responsibility, to feel for the distressed and down trodden with no means to advertise themselves
- 4- Corporate Citizenship, where the business owners could empathize without bearing the attitude that the organisation is wholly their private property.

**Ramayana** - To recognize strength, weaknesses, opportunities and threats of Ravana's army Hanumaan does SWOT analysis when he was asked to convey Rama's message to Goddess Sita. This is a very good example of Strategic Alliance formed by Lord Rama and Sugriva which helped them to find Sita and win Ravana. Rama staunchly followed the path of righteousness and set himself as an example of a king for whom duties come before his personal comfort. He set himself an example to our managers or decision makers in the field of governance that everyone is answerable to the public, superiors, subordinates, stake holders, board of directors to ensure transparency for the day to day running of the organisation. In fact, if our managers motivate and mentor the staff they automatically help in increasing the growth of the company as well as the nation.

**Mahabharata**- The epic teach us how we can transform our weakness into strength. The Pandavas utilized their thirteen years of exile by developing their skills. The Pandavas were united and thus worked as a team under the leadership of Lord Krishna. They understood the ground realities and so were able to reach out to the common people without displaying their ego. The Pandavas undertook calculated risks at the time of crisis. An able manager never shy away from undertaking risks, but remain cool and composed, accept the challenges to speed up with his or her mission and realize the set goals successfully. In order to defeat Dronacharya Lord Krishna prevails on Yudhishtira to lie that Aswathama, his son is dead. From a moral perspective such deeds seem unethical, but such a lie is acceptable when it does good to the larger humanity for the long term gain. Vidura also talks about four essential qualities of leader: "self knowledge, initiative, forbearance, steadfast in core values"

**The Bhagavad Gita**- It contains the guidelines, teachings, and values thought by Lord Krishna to Arjuna during the battle of Mahabharata. The modern management concepts like vision, leadership, motivation, excellence in work, achieving goals, meaning of work, attitude towards work, nature of individual, decision making, planning

etc. are all discussed in the Bhagvad Gita in detail with a sharp insight. When Duryodhana and Arjuna were asked to choose among Lord Krishna's army or his knowledge, Duryodhana went for his large army while Arjuna went for his wisdom. This shows that in terms of resources, a manager or a leader must choose wisely and utilise optimally just as Arjuna did.

Gita also tells us about the commitment towards work through the law of detachment. As in chapter 4, 7<sup>th</sup> shloka it is said- "Whenever there is a deterioration of dharma the God takes one more incarnation (Avthara) to uphold the Dharma. The incarnation of God, as the next shloka suggests, is to protect the good people, destroy the evil ones and restore Dharma in the society once again" The same set of Shlokas could be understood as a profound management concept. Stability and long term sustainability of the system happens because there are regenerative points. When the system attains disequilibrium and shows signs of being unstable and going out of control measures have to be taken to restore the equilibrium in the system. One can easily relate this to the way in which organisations continue to root out bad CEOs or managers which shows the mechanisms to prevent opportunistic behaviours in the long run.

**The Rigveda- Aano Bhadra krtavoyantu vishvatah( Rigveda 1.89.1)-**

*Let noble thoughts come to us from all directions .*

In many ways, this hymn epitomizes the large heartedness, catholicity and acceptance of the Indian way of life. More importantly, it buttresses the fact that the human mind must perennially be engaged in the quest of knowledge; that the source or origin is not important- what is important is that good, sage and noble thoughts must be welcomed always. This essentially partakes of a philosophy of assimilation and the constant *jignasa*.

In the knowledge and intellect driven economy that we live in today, there is a massive need for the manager to keep himself abreast of happenings across the spectrum. This ranges from within the company itself, the industry in which the company operates, the legal framework, the economic and commercial scenario prevalent in the state, country and the international developments that may have direct or even tangential ramifications on the business.

**Manusmriti** - While the Manusmrity or the laws of Manu deal with a vast majority of matters, the focus here will be on some aspects of substantive and procedural law. A few illustrations:

An agreement which has been entered into contrary to law or to the settled usage can have no legal force( VIII-164). This principle is analogous to section 23 and 24 of the Indian Contract Act, 1872.

A fraudulent mortgage or sale, a fraudulent gift or acceptance, and any transaction where fraud is detected, shall be null and void. What is given by force, what is enjoyed by force, also what has been caused to be written by force, and all other transactions brought about by force, are invalid(VIII- 165 and 168). Further , a contract entered into by a person who is insane, intoxicated or suffering from disease, or by an infant or by a very old man or by one who is not duly, authorised, is not valid (VIII- 163) .The various sections pertaining to free consent in the Indian Contract Act, 1872 are entirely predicated in these verses. VIII- 158 postulates that a person who stands surety for the appearance of a debtor before the court is bound to discharge the debt if he fails to make the debtor appear before the court- a matter accentuated in special contracts.

**Thirukural-** Explaining on good or right conduct, Valluvar, the great Tamizh philosopher and mystic says, right conduct leads to excellence and hence, must be guarded above life even . Vedas forgotten can be re-learnt, but bad conduct debases the virtuous at once! All our codes of conduct or good governance can learn and imbibe a verse or two from the great works of Valluvar as onded so many other stalwarts.

**Kautilya's Arthshastra-** It maintains that for good governance, all administrators , including the king be considered servants of the people. Good governance and stability are completely linked. There is stability if leaders are responsive, accountable, and removable. These tenets hold good even today. There is a great deal of similarity in the governance structure of the ancient kingdoms and modern corporations as is evident from our ancient text and scriptures. Kautilya's Arthshastra maintains that for good governance, all administrators, including the king is considered servants of the people. Good governance and stability are completely linked. There is stability if leaders are responsive, accountable and removable. These tenets hold good even today. Kautilya's idea of governing a state is very similar to the present day's concept of managing a business.

According to Kautilya, “The king, the minister, the country, the fortified city, the treasury, the army, and the ally are the constituent element of the state.”

Following are the main lessons of the Arthshastra-

- The king should rule with the help of state officials and consult his ministers,
- Kautilya emphasised on the need of civil services- “Sovereignty can be carried on only with assistance.
- The king should personally attend to the needs of the minors, the aged, the afflicted, the helpless and women.

- Special attention should be paid upon finance and then treasury. Etc.
- The wealthy should give gold (in present day, pay more taxes) to the king.
- The welfare of the people should be priority of the policies laid down by the government.
- The main aim of the government is maintain law and order, punish the wicked and protect the peaceable citizens.
- Kautilya emphasises on the role of an able and energetic monarch for the proper functioning of the government( in present times, the president or Prime Minister)

Thus, our ancient wisdom literature the *Vedas, Vedanta, Upanishadas, Ramayana, Mahabharata, Bhagwad Gita or the Arthshastra* are a store house of comprehensive and powerful philosophy to be applied in all ages for benefit of mankind. Since Indian Philosophy extols unity amidst all the diversities, believe in tolerance, quest for freedom, we can perceive the kingdom of heaven if adhere to the belief of Vedanta “Thou art that”, as said Swami Vivekananda “ religion is the manifestation of the divinity already in man”. The divine spirit in our heart would motivate us to chant these often quoted lines of Bhagwad Gita, where Lord Krishna speaks to Arjuna, his disciple, chapter IV line 7 and 8:

*“Yada Yada Hi Dharmasya Glanirva Bhawathi Bharatha,  
Abhutthanam Adharmasya Tadatmanam Srijami Aham,  
Paritranaya Sadhunam Vinashaya Cha Dushkritam  
Dharmasanthapnaya  
Sambhavami Yuge-Yuge”*

The English translation goes on to say “Whenever there is decay of righteousness, in Bharatha and a rise is there of unrighteousness then I manifest myself for the protection of the good, for the destruction of the wicked and for the establishment of righteousness, I am born in every age”.

### **Present Professional Statutes in reference with Ancient India**

**Women Directors:** Companies Act 2013 mentions such class or classes of companies as may be prescribed shall have at least one woman director among the board of directors. This application can be related to the practice of Vedic Ages where the senior old aged persons and the “*Pramukh*” (Head) of the *Ganas* or *Rajyas* held a *sabha* (meeting) called “*Vidhata*”, where there was representation of all the section of the society and one among them being the female, the selective females of the regions rich in their experience and intellect in varied subjects were

present during the administrative decisions taking place at the sabha. Their views were also considered and opinions were taken note of during the proceedings of such meetings. Apart from these, Medieval Woman rulers of India like Gautami Balashree, Razia Sultana also empowered women in their region by providing employment opportunities and endorsing women glory.

**Independent Directors (Outside Directors):** Companies Act 2013 states that every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum of independent directors in case of any class or classes of public companies. Independent Director means the director who does not have a material or pecuniary relationship with company or related persons, except sitting fees. In ancient days though the purpose might vary in its exact current form as today, but still the ancient kingdoms had practice of appointing doyens of varied subjects and other intellectuals who used to be not a part of their on-roll personnel but still were made a part of the ministerial cabinet assigning definite tasks and positions accordingly.

**Qualifications of Directors:** The Companies Act 2013 provides that the majority of members of audit committee including its chairperson shall be persons with ability to read and understand the financial statements. This enables the company to have quality people on the board to make the board's functioning more effective. Similarly, earlier there was academic qualification prescribed for the King's Education which could be broadly classified as given Arthashastra under four heads-

- 1) "*Anvikshki*"- means science of enquiry
- 2) "*Trayi*" – which includes four Vedas and one Itihaasa Veda and six Vedangas (purpose was to differentiate Dharma and Adharma)
- 3) "*Vaartha*" – dealing with animal welfare, business knowledge, industries, commerce and agriculture from the perspective of economics and income sources and lastly
- 4) "*Dandaniti*" – i.e. Laws of Punishment

**Peer Review Policy:** Peer Review means evaluation of work by one or more people of similar competence to the producers of the work (peers). This policy is implemented in few corporations to assess the efficiency of the work and operations carried on by the personnel in par of Global Standards for corporate governance practices. Similarly in early days, the ministers were subjected to timely evaluations of the eligibilities they held for handling a portfolio and this was called as '*Upadha Vidhaana*', related to the Peer Review Policies of corporations.

**Key Managerial Personnel:** Companies Act 2013 prescribes that every company belonging to such class or classes of companies as may be prescribed shall have the following whole-time key managerial personnel-

- i) Managing director or CEO or manager or whole time director
- ii) Company Secretary
- iii) Chief Financial Officer

Similarly, in old days, there were-

- i) *Pradhan Mantri*
- ii) *Purohita*
- iii) *Senapati*
- iv) *Yuvraj*

**Miscellaneous:** According to Corporate Governance standards usually practiced, there are two broad classification of control studies as External Control and Internal Control which could be similarly seen in *Manusmriti* stating two types of control of thieves, one as External Thieves i.e. *Bahiranga* whose presence is outside the premises of kingdom and the other one Internal thieves i.e. *Rahasya* whose presence is within the premises of kingdom.

In an atmosphere of all round corruption, honesty becomes a virtue and not a desired duty. Kautilya argued for advertising the cases of increase in revenue due to the honest and dedicated efforts of the superintendents by giving rewards and promotions. Bestowing public honour creates a sense of pride and boosts the motivation and morale of honest officials. They act as role models for ideal youngsters who wish to join the administration and serve the state.

### **Conclusion :**

The whole above study explains the understanding that Corporate Governance in its varied form existed way back in the ancient days and the same substance paved for the evolution of governance mechanisms in today's context of corporate governance. Honest and ethical conduct has been prescribed at almost all the ancient treatise on administration. Rule of Law has been the enforced impartially with respective authorities being supplemented with definite powers and functions. Social concerns and social sensitiveness has been existent as discussed under Corporate Social Responsibility via the perspective of ancient Indian wisdom on governance. Accountability has

been structured formally through the form of hierarchy in ancient administration and the same has been accepted to be obliged in complete transparent manner.

In long run ethics and values tend to survive as it is rightly said in Bhagwad Gita- “*Yatho Dharma, Tatho Jayas*”, meaning success goes hand in hand with the righteousness.

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