

## **GOVERNANCE BEYOND THE CORPORATE VEIL**

James Wolfensohn, the celebrated President of World Bank for 10 years remarked, “In the next 25 years, “out of 8 billion people, 6.8 billion will live in the developing world. Unless there is an equitable and broader distribution of income, you will have poverty, which will be created and expanded. Unless it is dealt with, you will not have peace”.

Poverty creates unrest. Cradles of unrest in India, where we have Naxalite movements, whether in Naxal Bari in Bengal, North East, Andhra Pradesh or Central India – all have grown out of poverty resulting from lack of development, infrastructure and apathy of the government. Despondency and despair gives rise to anger towards all those perceived to be responsible – government, people in more affluent regions, even those in another country – September 11 attacks on New York city is a case in point. On a bigger scale, we call this terrorism or extremism. This is the common factor for unrest, whether in Africa, South Asia, Latin America and other parts of the world where development is inequitable.

Markets disappear in areas of strife or economic backwardness. This leads to migration of markets to places where greater development and stability exist and this in turn creates the risk of concentration over smaller geographical spreads. In Central or West Africa, markets get limited due to strife, unrest, civil wars and poverty.

Private sector investments into manufacturing or infrastructure get limited in such areas due to perception of higher risks and government is unable to put up investments as the revenue collections are poor. A vicious circle which manifests itself all around the globe! Similarly, in poorer parts of India, significant development efforts are lacking as both the government and the private sector are unable or unwilling to make the investment. Poverty simply expands.

Development stimulates demand and propels growth and this sustains all commercial enterprises. Corporate social responsibility will be left to the discretionary goodness of

those managing a corporation, if a direct linkage of profits with environmental and social objectives are not established. Investment in development is a business protection and sustainability cost and this belief will channel resources from private enterprises towards a holistic development of people and nations. Bill Gates and Microsoft spend billions in education and AIDS projects.

Apart from the huge humanitarian effort, it also protects and sustains their markets of the future – youth across the world. Tatas in India, have for ages, invested in social and development projects – making a distinction between charity and development efforts. ITC's e-choupal project, in the near future, could be an engine driving prosperity amongst the farmers. Mobile phone companies have not just made communication easy and affordable but have increased the reach of small vendors of goods and services – creating a market for them that was not tapped before. The combined efforts of the government and corporates stimulate development and extend the purchasing power to every individual. This propels nations towards prosperity.

Governance – whether of a corporate or of a nation will converge into those principles and actions that go beyond economics and politics. They would reach the people for which both government and businesses exist.

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