

ICAI and CAs have an Important Role to Play in India Story:

Dr. M. Veerappa Moily

Union Minister of Corporate Affairs Dr. Moodbidri Veerappa Moily, known for his penchant for reforms for overall national good, has taken pathbreaking initiatives through his Ministry aimed at socially-oriented corporate development in India. In the present capacity, he has been a 'Friend, Philosopher and Guide' to the accountancy profession in India, supporting various nationally-beneficial causes of the profession. His four-decade old journey from an advocate to one of the leading personalities of Indian polity has been truly illustrious and inspirational. Born on 12th January, 1940 in Marpadi village, Moodbidri, Dakshina Kannada District of Karnataka, Dr. Moily was elected as Member of Parliament from the Chickballapur district by a wide margin in 2009. Earlier, he had been Union Minister of Law and Justice from 2009 to 2011. From 2006 to 2009, he had been Chairman of the Oversight Committee for implementation of 27% reservation for OBCs in central educational institutions. He has also been Chief Minister of Karnataka from 19th November, 1992 to 11th December, 1994 in which capacity he led the implementation of economic reforms in Karnataka. A known literary figure in Kannada and author of several books, he did his B.A. from Government College (now known as University College) and completed his B.L. from University Law College, Bengaluru. Several awards have also been bestowed on him for his services. In an exclusive interview to the Editor of The Chartered Accountant journal and President of Institute of Chartered Accountants of India CA. Jaydeep Narendra Shah, he talked at length about various issues concerning corporate sector in particular and nation in general. Following is the interview:



1. **Your journey from an advocate, to a noted literary figure, to a leading personality in Indian polity has been really illustrious. How do you look at your career in public life?**
 - A. When I entered politics way back in 1972, I did not have any dream, nor did I think I would occupy some of the top positions. Having been attracted towards Indira Gandhi's leadership, my intention was to work towards the land reform bill and to break away from politics once the bill was implemented. Though the mission was accomplished in 1978 and I wanted to go back to my profession to work as an advocate in the High Court and Supreme Court. But, serving people is something special, and a person like me cannot take a break from that. As such, I am continuing to serve the society and shouldering whatever responsibilities given to me. I have accomplished much for the society but much more remains to be done. Although, I do often simultaneously pursue my literary instincts and writing, but that hobby is also aimed at serving the society. After accomplishing legal reforms, I was offered the corporate affairs. Now I have a huge task in front of me of bringing in corporate reforms. There are miles to go before I sleep and miles to go before I sleep.

2. My congratulations to you for so effectively managing the affairs of the Ministry. In the past few months, MCA has taken some path breaking initiatives. Kindly share with us your focus areas.

A. My focus has been to bring in corporate sector reforms supplemented with corporate social responsibility, better corporate governance and fair competition. A number of initiatives have been taken by the Ministry in the past few months in legislative, regulatory, service delivery and capacity-building areas. While undertaking these initiatives, the Ministry is also examining the issues referred in 'Doing Business' reports of the World Bank and suitably addressing them within the scope of the acts administered.

3. What is the status of Companies Bill 2011? By what time do you think it will finally become an Act?

A. The much-awaited Companies Bill 2011 will soon become an Act and will replace the half-a-century-old Act. Among others, it will make provisions for class action suit, corporate social responsibility and better corporate governance. The government has undertaken comprehensive revision of the Companies Act 1956. The Companies Bill 2011 as approved by the Cabinet on November 2011 has been introduced in the Lok Sabha on 14th December, 2011, and the same has been referred to the Parliamentary Standing Committee on Finance for its examination and report.

4. Corporate Social Responsibility is being considered as a significant issue for the business. How important is the concept of Corporate Social Responsibility for the nation and what initiatives have been taken by the Ministry in this regard?

A. The corporate social responsibility is today a must for both corporate sector and society. The CSR for a company means to embrace responsibility for its actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of its public sphere who are also considered stakeholders. CSR will ultimately benefit the corporate sector in both the long as well as short run. The Companies Bill 2011 also

seeks to give a fillip to the cause of Corporate Social Responsibility (CSR) and corporate governance. The Bill makes provision for encouraging ethical corporate behaviour and rewards employees for their integrity. Taking views of corporate India in consideration, the Companies Bill 2011 makes only disclosure of CSR Spending mandatory and not the actual spending. It is a new concept.

5. The Companies Bill 2011 gives a boost to your corporate governance initiative. Please tell us about the proposed National Corporate Governance Policy?

A. The policy aims at strengthening the corporate governance system and administrative standards in the private sector. The draft policy is already on its way. The draft is expected to be submitted within a six-month period. Recently, we had set up a committee under Adi Godrej, who has taken over as the president of industry body CII, to suggest a framework for the "highest quality" of corporate governance in the country. The committee will suggest a comprehensive policy framework to enable corporate governance of the highest quality in all classes of companies without impinging on their internal autonomy to order their affairs in their best judgement. The report is expected within six months. The Companies Bill 2011 also gives a boost to corporate governance. Among other measures, it will make it mandatory for firms to maintain their documents in electronic format. It also introduces the concept of e-governance.

6. Is it right that you are considering making women participation mandatory in corporate governance?

A. We in the Ministry of Corporate Affairs are fully alive to the need to promote participation of women in corporate governance. We are considering making it mandatory to have at least one woman director in the Board of Directors. The Clause 149(1) of the Bill has the provision that every company shall have a Board of Directors consisting of individuals as directors and shall have a minimum of three directors in case of a public company, two directors in case of a private company, and one director in case of a one person company and a maximum of 15 directors. A company, however, may appoint

more than 15 directors after passing a special resolution. Such class or classes of companies, as may be prescribed, shall have at least one woman director.

7. Is it also true that the Government is considering increasing the representation of women in Indian companies by 8%?

A. No such increase in percentage is under consideration.

8. Of late, the concept of a National Competition Policy has been in the news. Tell us more about this initiative.

A. With the intent to allow farmers, producers of goods and consumers, the government has conceptualised a national competition policy. This Competition Policy proposes competition audit/assessment of many central and state laws to proceed towards achieving a single national market. Nations that have implemented such competition policies have benefited immensely. The US reduced prices of petroleum products by about 50% due to implementation of competition policies. The Competition Policy will reduce inflation and also improve GDP. Inflation is a demand supply position. We do not have a proper cold storage chain. We do not have one national market. Competition will ensure that these are in place. The GDP can further grow 4-5% by implementing these measures. The competition policy envisages that the anti competitive practices through many different agencies at State or Sub-State level are controlled, by way of review of existing processes and regulation. The policy envisages setting up of competition assessment cells at various Ministries/department and at state levels. Such competition assessment cells will be trained to examine various laws and regulation from competition angle and suggest corrections wherever needed. Through these steps the competition policy will usher-in next wave of reforms reading towards growth and benefits for all.

9. The Bill to amend the Competition Law has been deferred. Now, what will be future course of action?

A. As you may be aware, a Group of Ministers has been formed and I hope that the issues will be discussed in a comprehensive manner. We expect

to take the matters forward. Meanwhile CCI is fully functional and is executing its assigned tasks as per the Competition Act.

10. Your Ministry has proposed to give more powers to Serious Fraud Investigation Office. What will be the nature of such additional powers?

A. The Corporate Affairs Ministry has proposed that corporate fraud investigation (SFIO) should be given powers to send letters rogatory in cases where a company has business in other countries. The new Companies Bill also proposes to treat the investigation report of the Serious Fraud Investigation Office (SFIO) at par with that filed by a police officer. The Companies Bill, 2011 provides for amongst others that investigation report of the SFIO be treated as a report filed by a police officer, power to issue letter of requests (letter rogatory) in cases involving companies having business interest outside the country. As you may know, Letter Rogatory is written request by a judge to the judge in another country to take testimony of a witness in that country in connection with the case. The Companies Bill also for the first time includes the "definition of the terms 'fraud' along with its punishment". The decision to give legal and statutory powers to the SFIO by including appropriate provisions in the new Companies Bill is in line with the recommendations of the Vepa Kamesan Committee on strengthening the SFIO.

11. There has been a move to set up a regulatory body for regulating multi-level marketing companies (MLMCs) under the Home Ministry. What are your views on this?

A. The Serious Fraud Investigation Office (SFIO) has suggested to set up a regulatory body for regulating multi-level marketing companies (MLMCs). We have no reservation if such a body is set up within the MHA to check the cases of frauds being indulged in by such MLMCs as is being done in cases of chit funds. The home ministry already regulates the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. Chit funds and MLMs are essentially informal schemes that usually function in multiple layers. In many cases it has been found that the promoters of such schemes dupe people participating in the scheme and pocket the money

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collected. The SFIO also recommended that a database of such schemes should be maintained to keep a check on them.

12. There have been reports of a large number of companies not complying with reporting norms under the Companies Act. What action has been taken on this front?

A. The Ministry of Corporate Affairs has registered 846 cases of prosecution against various companies for non-compliance of reporting norms under the Companies Act in the last three years. For non-compliance of reporting norms, prosecutions have been filed against 366, 228, and 252 companies during financial year 2008-2009, 2009-2010 and 2010-2011 respectively. We are taking steps to ensure diligent corporate financial reporting and have revised the Schedule VI of the Companies Act for more comprehensive disclosure by companies. You may note that a total of 1,215,306 companies, including public and private entities, were registered during 2008-2009, 2009-2010, 2010-2011 and 2011-2012. Of these, 1,096,246 companies were from the private sector and rest 119,060 from the public sector.

13. When is the Government going to implement Indian Accounting Standards converged with IFRS, which is the need of the hour?

A. The issue is under active consideration and we will come to a decision after consultation with all the stakeholders.

14. What kind of corporate culture do you want to see in India? Shouldn't there be greater employee retention in workplaces?

A. I bat for greater employee retention in workplaces in the private sector. I am against hire and fire culture practices in corporate world. This can be achieved by a judicious admixture of pro-labour legislations and corporate best practices. I am for a corporate culture attuned to the

universally accepted values of good governance, accountability, transparency, responsibility and responsiveness to stakeholders. Our corporate endeavours have to be consonant with the demands of eco-system and expectations of Indian democracy.

15. What is your opinion about recent UNDP initiative focusing on companies who can provide services to the poor?

A. Given the millions of Indians living below the poverty line – the bottom of the pyramid, the recent UNDP initiative focusing on companies that can provide services to nearly 4 billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves is of great importance in India's fight against poverty. 'Creating value for all' strategies for doing business with the poor also offer strategies and tools for companies to expand beyond traditional business practices and bring in the poor as partners in growth and wealth creation. The poor have a largely untapped potential for consumption, production, innovation, entrepreneurial activity. We support this initiative.

16. You have been an active supporter and facilitator of National Skill Development Scheme. How will it benefit our nation?

A. The scheme is a brainchild of Prime Minister Dr. Manmohan Singh. The government has plans to make five crore youth in the nation employable through National Skill Development Scheme by 2020. The national skill development scheme, which is a public private partnership programme, aims at promoting skill-development to fulfill the growing need in India for skilled manpower across all sectors and to narrow the existing gap between the demand and supply of skills.

17. What initiatives are being taken for greater investor awareness?

A. We have taken initiatives for creating investor awareness. We are having a series of discussions in five metropolitan cities on investments and governance. We are going to prepare a road map as to how the investment could be boosted, what are the hurdles and how to make business easy in this country. That's what we are going to address.

18. It has been reported that your Ministry is in the process of bringing out a business confidence index? Tell us more about it?

A. Yes we are considering a business confidence index, which would be an indicator of optimism of business managers in the country. Details of the index like sample size, parameters, duration of survey and other issues are being looked into. The index would help measure the business sector's perception based on political and economic situation. This would enable to bring out the right pulse and vibrance in the economy.

19. The Ministry is preparing a roadmap for future implementation of XBRL. What is status on this front?

A. The Ministry of Corporate Affairs has set up a committee to develop the roadmap for future implementation of eXtensible Business Reporting Language (XBRL). This Committee comprises of XBRL experts and representatives from the corporate sector as well as the Institute of Chartered Accountants of India (ICAI). The terms of reference of the Committee include: 'identification of class of companies and various reports to be filed in XBRL in phase-wise manner,' 'development of taxonomies to be used by corporates for their regulatory filings to government agencies,' 'extensions in taxonomies and XBRL assurance framework,' 'training, awareness and capacity building of stakeholders,' and 'framework for consumption & dissemination of XBRL data.' Accordingly, information regarding setting up of the committee and its terms of reference have also been put on the ministry's website: www.mca.gov.in for information of the general public, and for their suggestions and comments. In response to this, a large number of suggestions have been received. The Committee is examining these suggestions for possible incorporation in the roadmap for future implementation of XBRL.

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20. What is your message to ICAI and its members?

A. The Institute of Chartered Accountants of India, being an excellent regulator, standard setter and educator, has been greatly contributing as a 'Partner in Nation Building'. The accountancy profession has been the backbone of fiscal discipline in the country. The nation has great expectations from the Institute and its members. They have a pivotal role to play in good governance by ensuring transparency, compliance with statutory as well ethical requirements, correctness of accounts and business advice for the benefit of all the stakeholders, including the government and society. You have a crucial role to play in India's growth story. Keep up the good work.

21. You are currently writing a book on the steps to be taken to make India an economic superpower by year 2020. Tell us more about literary feats. Are you able to currently pursue this passion along with the responsibilities which come as a Minister?

A. I am currently authoring an English book called *Unleashing India*. Three parts have already been published-one on agriculture, second on water and third on electricity. This book focuses on human resources and how our country can be the super power after 25 to 30 years, taking advantage of the demographic dividend. I have also authored an epic poem *Sri Ramayana Mahanveshanam* in five volumes containing 42,295 lines in Kannada. It is also being translated into Hindi and being published by Indira Gandhi National Centre for Arts, New Delhi. I have also authored '*Musings on India*' Part 1 & 2 in English containing articles on contemporary issues including public finance. I have also authored the book "*The edge of time*". I have also served as a regular columnist for *The Hindu* and *Deccan Herald* and for *Samyukta Karnataka* (a Kannada newspaper). My other kannada books include '*Kotta*', '*Suligali*' (Typhoon), '*Sagaradeepa*' (Ocean lamp), '*Milana*' (A play), '*Parajitha*' (a play), '*Premavendare*' (a play), and '*Yakshaprashne*', '*Halu-Jenu Maththe*,' and '*Nadeyali Samara*', (all anthologies of poems). Besides, I am also writing another epic poem on Draupadi and the title is "*Shrimudi Parikranam*". This is how I go on writing, it is an unstoppable journey. ■