Corporate Governance is a very important concept and its relevance today in business can be seen as development of welfare concept. Welfare of business means not only growth and development of business in terms of profit and market share, but also to see the way overall growth is attained in the society. In this process, it requires lot of accountability and commitment among the various authorities within the organization. Corporate Governance is not a new concept and this existed long back. The history of effective Corporate Governance can be traced back to Ancient period. Today the approach of Corporate Governance is talked more from the point of business but in Ancient India, it was about over all administration of state. It talked about how the king used to manage his subjects through effective Governance.

For this purpose, ancient period is studied under three heads namely-
- Vedic period;
- Mauryan period;
- Gupta period.

Study of Ancient system of Corporate Governance throws some light on the evolution of the present Corporate Governance which is more specific to business approach. Lot of ideas practiced and the system in usage in governing business entity today has been borrowed from the ancient system and its relevance can be even seen today.

➢ FIVE ELEMENTS OF GOVERNANCE:

Governance is everywhere. As we all know, our universe is governed by 5 elements of nature:

![Diagram of the five elements of nature](image)

Without these elements, there is no life. The elements of nature bring in different assets to our existence. Opening up of economy ensures that a country’s limitation is
overcome through partnership and collaboration. One thing that can guide us from all these imbalances is Governance.

The major Elements of nature in the context of Governance are briefed as follows:

**Land - Being Grounded**

- Corporate need to be grounded and look at things as others sees them
- Fundamentals of Corporate Governance are about dealing with the ground realities from all the stakeholders' perspectives including the employees

**Water - Being Flexible**

- Corporate should be Adaptive and Flexible
- Understanding matters deeply than looking at its surface employees

**Air - Invisible Presence**

- Governance needs to be invisible yet exist everywhere like air.
- It should transmit the sounds of governance to the right levels as to the true attribute of air which transmits sound and it will show its color if something is mixed up.

**Fire - Destroying Evil**

- Corporations should have the fire to clear the evil forces that hinders the growth of the Organization.
- The governance should be structured in a way that it is clearly seen as a lethal weapon to all the destructive forces.

**Sky - Endless possibilities**

- Even in utmost turmoil, one thing that holds us together is Hope and the endless possibilities
- Corporate should strive to achieve its goals. The rule is very simple - The possibilities are endless. Sky is the limit.

**CORPORATE GOVERNANCE IN ANCIENT INDIA:**

Corporate Governance was a common term used for effective governance during ancient times. Since, all the property of the state came under the king there existed a Governance module in which King was the head. For purpose of studying the Governance module in Ancient India, important periods are classified as follows:
<table>
<thead>
<tr>
<th>Governance During Vedic Period</th>
<th>Governance During Mauryan Period</th>
<th>Governance During Gupta Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>They occupied the lands of five rivers were mainly tribal and they elected one person who was called as Leader.</td>
<td>This period was regarded as the period of good governance. It was one of the largest empires in Ancient India and it was considered as one of the best administration over the entire world.</td>
<td>This period is also called the Golden Period in the history of Ancient India.</td>
</tr>
<tr>
<td>There existed a simple set up of administration which comprised of the King and the general assemblies of people called as Samithi and Sabha.</td>
<td>The Mauryan King was the head of the state administration holding legislative, executive and judicial powers</td>
<td>During this period a lot of reforms were carried out, the empire was divided into several provinces each of which was headed by viceroy appointed amongst the member of Royal family.</td>
</tr>
<tr>
<td>King who was head of the state was charged with the maintenance of law and order.</td>
<td>They had an organized system and there was continuous supervision and inspection process which was installed in every walk of administration.</td>
<td>Local administration were given full powers to frame their own decisions so there were no controls from the center</td>
</tr>
<tr>
<td>King used to collect information for decision making and he used to involve all his reporting at time of taking vital decisions</td>
<td>Local authority was controlled by Parishad who in turn used to report to king.</td>
<td>As the administration in this period was decentralized, each of them understood their responsibility and they worked towards achievement of welfare objectives.</td>
</tr>
<tr>
<td>Very difficult for Kings to have effective governance as there was</td>
<td>As the Mauryan period extended to the whole of India so there were</td>
<td>There was a lot of integration among different levels of</td>
</tr>
</tbody>
</table>
many provincial heads appointed by the king and the king used to take the updates from the provincials on regular basis. administration and all were clear about their duties and thrived to work for the wellbeing of the people and king.

**CHANAKYA’S ARTHASHASTRA DURING THE ANCIENT PERIOD:**

The Maurya Empire became stronger in terms of administration because of Chanakya’s Arthashastra, written during the period of Chandra Gupta Maurya. Arthashastra contains 6000 sutras divided in to 15 chapters and 18 subchapters’ instructions about administration, management, law and justice, economy, foreign policy etc. It is mentioned in the Arthashastra that "In the happiness of the subject lies the benefit of the king and in what is beneficial to the subjects is his own benefit". This clearly indicates the governance module which Chanakya insisted, where in we state that the directors should act in such a way so as to benefit the stakeholders, investors, institutions and others who work in the organization.

**WORK CULTURE OF INDIA AND THE WEST:**

Culture plays a very significant role in understanding the working attitudes of various business organizations. We can segregate the same between India and the West. In India though there is a wide spread notion that Indian culture is under the shade of the western counterpart, some of the differences in the working culture of India and the West seems to be as follows:

- The Western concept of conflict of interest does not always mesh with the Indian value of loyalty.
- In the West, we are talking of an ownerless, CEO – driven paradigm. In India, it is still family – controlled, owner – driven paradigm. CEOs do not matter much in the management of the company.
- The governance issue in the Western world aims essentially at disciplining the management which has ceased to be effectively accountable to the owners. In contrast, the problem in the Indian corporate sector is that of disciplining the dominant shareholder and protecting the minority shareholders, as it is justified in the Satyam case.

**WAYS IN WHICH GOOD CORPORATE GOVERNANCE HELPS AN ORGANISATION:**

- To develop appropriate strategies that would help the organization to attain results in the achievement of stake holder objectives.
- To attract, motivate and retain the talent in the organization.
- To create a secure and prosperous operating environment and improving operational performance.
• To manage and mitigate risk and protecting and enhancing the company’s reputation.

**IMPACT OF KAUTILYA’S ARTHASHASTRA IN TODAY’S GOVERNANCE:**

Kautilya’s Arthashastra states that for good governance, all administrators, including the king were considered servants of the people. Kautilya opined that the “King has no individuality of his own. He is for the people and of the people.” In short CSR was differently but articulately explained by Kautilya. Thus, CSR is not a recent Western phenomenon. It is certainly not new to India – it has been a part of our culture for thousands of years.

**Kautilya’s fourfold duty of a king**— The substitution of the word

State = Corporation,
King = CEO or the board of a corporation,

<table>
<thead>
<tr>
<th>Raksha</th>
<th>Raksha = protection = Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vriddhi</td>
<td>Vriddhi = growth = Stakeholder Value Enhancement</td>
</tr>
<tr>
<td>Palana</td>
<td>Palana = maintenance/compliance = compliance to the law in letter and spirit.</td>
</tr>
<tr>
<td>Yogakshema</td>
<td>Yogakshema = wellbeing of society through the King = Corporate Social Responsibility.</td>
</tr>
</tbody>
</table>

**HOW IS ANCIENT GOVERNANCE RELEVANT TODAY?**

In today’s competitive world of business, the question of survival depends on effective Corporate Governance. The concept is slowly shifting towards welfare objectives, it can be welfare of stakeholders, investors, environment, society, nation etc which the business should try to achieve. This is exactly what it was told in ancient period.

The ways to incorporate Governance in our modern world are tabled below:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Point to be highlighted from Ancient Governance</th>
<th>Ways to incorporate the same in today’s world</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fear plays a key role in an organisation, harness it wisely - In the Bhagavata, Kansa kills babies. Krishna kills Kansa. In the Ramayana, Ravana abducts wives of other men, and seduces them. Ram kills Ravana. In the Devi Purana, the asuras trouble the devas. Durga kills the asuras. In the aforesaid scenarios the expression of Krishna and Ram and Durga is an artwork. There all are at peace. They are simply aware of fears of humanity.</td>
<td>At the work place, everyone is in fear. The investor is afraid he will lose his investment. The director is worried if his directives are not taken seriously. Managers are afraid they are not managing the crisis well. Supervisors are afraid if he is too soft then his team will take him for a ride. Executives are frightened into submission by their bosses. But when used well, fear can be a great fuel for the leader, enabling him to focus on the job at hand. Appreciating the fear within enables us to appreciate the fear without. We will be able to empathize, comfort, inspire, lead, challenge.</td>
</tr>
</tbody>
</table>
2. **Responsibility towards all stakeholders** - The *Arthashastra* affirms that an organization can profit as well as sustain long-term advantage if its leader conducts business in an ethical and socially responsible manner, with responsibility towards all stakeholders.

<table>
<thead>
<tr>
<th>2.</th>
<th>Responsibility towards all stakeholders - The <em>Arthashastra</em> affirms that an organization can profit as well as sustain long-term advantage if its leader conducts business in an ethical and socially responsible manner, with responsibility towards all stakeholders.</th>
<th>If a leader were agile and responsive to change without keeping in mind the responsibility for all stakeholders, the benefit to business would be short-lived. In turn, if a leader would be aware of this responsibility but be heavy-footed in response to change, it might result in loss of profits and therefore a lack of resources necessary to undertake responsibility.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Keeping the employee first - <em>Chanakya</em> stresses that the satisfaction of a leader lies in the welfare of his people, and needs to be observed as a fundamental principle in a leader's decisions. As today's leaders struggle with the right way forward in adopting new technologies, this principle could offer a simple but powerful guide.</td>
<td>Being employee centric to deliver value to all stakeholders requires us to take another look at how we identify and nurture our employee strengths.</td>
</tr>
<tr>
<td>4.</td>
<td>Developing a culture that can learn unlearn and re-learn – There is an analogy between the teachings of <em>Chanakya</em> and <em>Alvin Toffler's</em> (American writer and futurist) quote: “The illiterate of the twenty-first century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”</td>
<td>The applicability of these ancient learnings in today's changing times is being increasingly recognized, not only in business but also across the spectrum of leadership.</td>
</tr>
<tr>
<td>5.</td>
<td>According to <em>Chanakya</em> “The Kingdom should be enjoyed by all”. According to <em>Arthashastra</em>, the king should discharge his duties in the best manner keeping in mind his responsibilities and ethics and he should not do anything for his own welfare.</td>
<td>The delegation of authority and span of control discussed in <em>Maurya</em> and <em>Gupta</em> period is what it is propounded today in business. There is much weightage given today for selecting right person for right job, he is evaluated based on certain criteria for appointing him as Director or CEOs of the Company, this is same as what is mentioned in <em>Arthashastra</em>.</td>
</tr>
<tr>
<td>6.</td>
<td>In the <em>Mauryan</em> and <em>Gupta</em> period the major decisions relating to welfare of the kingdom was taken on collective basis.</td>
<td>One of the important areas in corporate governance is decision making. The decision should be taken keeping in mind not only the promoters and owners but also who rely and depend on the company i.e. customers, suppliers, etc.</td>
</tr>
<tr>
<td>7.</td>
<td>One important thing about good governance in <em>Mauryan</em> empire was the appointment of spy's to monitor and control illegal activities and corruption in the administration.</td>
<td>This can be related to appointment of internal auditors today in business. Internal Auditors almost perform the same duties, they check the areas where there is chances of embezzlement and corrupt practices and warns management to take appropriate decisions.</td>
</tr>
</tbody>
</table>

### SIGNIFICANCE OF CORPORATE GOVERNANCE AND WAYS TO RE-INFORCE THE SAME:

- The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.
• It also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance.

• Effective corporate governance ensures the optimal use of resources both intra-firm and inter-firm. With effective systems of corporate governance, debt and equity capital will go to those corporations capable of investing it in the most efficient manner for the production both of highly demanded goods and services as well as those with the highest rate of return.

• This also helps to protect and nurture scarce resources thereby ensuring that societal needs are met. In all probability this will mean that incompetent managers are replaced.

• Effective corporate governance also helps to lower the cost of capital by improving the confidence of both foreign and domestic investors that their assets will be used for the purposes agreed.

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