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Independent directors have role of knowledge, scale and input; but don't push too hard: Uday Kotak

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Independent directors must play a role of knowledge, scale and input but we need to be careful to not push it to a battle zone level, said eminent banker Uday Kotak at the fifth annual two-day Corporate Governance Summit, Gatekeepers of Governance, organised by a body promoted by M Damodaran, former Chairman of SEBI.

Technically under law, Kotak said, everybody has the same responsibility across the board.

"The role of management is to run and execute and come out with a whole business strategy and everything else. The role of board is to challenge it and govern it," he said.

Kotak, CEO and MD of [Kotak Mahindra Bank](#), was having a discussion with Damodaran and Mahindra Group Chairman Anand Mahindra.

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Independent directors are strongest keystone

Mahindra said the value of independent directors cannot be overstated. "I recognise I need curbing and to question and challenge. Only independent

directors do that...The institutional independent director is the strongest keystone in corporate governance landscape," he said.

According to Kotak, the institution of independent directors is to be aware of and protect the minority shareholder community which has no say.

"Second is conflict between non-executive director non-independent versus independent. Therefore, many independent directors have a role of knowledge, scale, (and) input," Kotak said.

However, he believes that while we recognise the role of independent directors as an institution, we have to be careful where we don't push it to level where it is two sides of battle zone. "That is where the regulatory framework should be careful of not pushing it above and over that edge."

Kotak is currently heading a SEBI-appointed corporate governance committee as well as chairing the board of IL&FS group, which is witnessing several governance issues.

He said, the law in 2013 after the Satyam scam has given greater protection for independent directors compared to non-independent directors.

independents and non-independents," Kotak added.

Accounting is weakest link

Kotak said the issue in the profession stems from a potential "conflict of interest" where an association of accountants - ICAI - also acts as the sector regulator.

"One of the weakest links in fiduciary chain of governance in India is accounting. Time and again we find that this situation is leading to significant issues for many listed companies whether it is on the equity markets or debt markets," he said.

In the past year, Indian companies including IL&FS and Fortis have necessitated the need to relook at accounting standards in the firms.

Kotak also added that the sector will undergo a change with the introduction of the National Financial Reporting Authority (NFRA) by the government as it will act as the single source of regulating all the auditors and will ensure that the signature of the auditor gets back the trust.

"As we in financial sector deal with markets and if we want to move much more market-based, we have to rely on that signature. There have been significant questions on that reliability of that signature," he concluded.

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