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'Risk, an integral part of any business'

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Leading business leaders Uday Kotak and Anand Mahindra believe that proliferation of regulations in business, especially in the current environment, has led to a scenario wherein business houses are forced to follow the law in letter and not in spirit.

Speaking at a conference on corporate governance, the business honchos said that the role of the regulators and government was to eliminate unwarranted risk and not the risk that is an integral part of any business and capitalist system.

"When one takes a view that lets follow spirit, and the letter is not clear, you get a push back... If you play for spirit, you run into problems. I've no ability to question spirit, (so) let me follow rules. We are living in this world, where we are going in a transition from principles to rules," Mr. Kotak, vice-chairman and managing director, Kotak Mahindra Bank, said.

He was speaking at a conference 'Gatekeepers of Governance' organised by M. Damodaran, former chairman of the Securities and Exchange Board of India. In a similar context, Mr. Mahindra, chairman of the Mahindra Group, said the current environment for him was reminiscent of the Licence Raj.

"Are people forgetting that what we are trying to regulate is business. Your job is not to eliminate risk, but to eliminate unwarranted risk. Risk is a very integral element of the capitalist system," he said, adding that there was a "proliferation" of regulations.

Mr. Kotak also spoke about the reputational risk involved, especially given the growing importance of social media.

"If you look at reputational risk, you are first hung in the court of media well before you go out to the real world," Mr. Kotak said.

Mr. Damodaran said that regulators needed to ensure that they had a connect with the regulated universe and be more responsible. They could do so by analysing the cost and benefits before writing a regulation, he added.