



## For A Capitalism Less Stigmatised

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This article appears in the Indian Express and is written by the president of the FICCI. It addresses a very important topic - *something* has happened to capitalism (i.e. the corporate or the private sector) because of which the general public's perception towards it has changed for the worse. The article also speaks about what needs to be done in order to solve this crisis in capitalism.

For all we know, the world that we have today - laced with technology and material pleasures - has come into existence through a system of innovation and profit. While individual talent drove innovation, capitalistic endeavours drove profit. As long as there is profit, there will be innovation.

The corporate sector in India (as representative of Indian capitalism or the Indian capitalists) is no different. The burgeoning GDP, a government in perpetual reforms mode and a macro-economic environment that is stable and favourable to growth - are all achievements in which the Indian corporate sector played a tremendous part. Corporate growth ushered in the age of consumption-led-production helping build the GDP; corporate businesses required changes in the regulatory ecosystem to stay profitable (and productive) thereby pushing the government into a regulatory reforms drive; and corporate dealings within and outside the country made sure macro-economic factors like inflation and unemployment remained under tight oversight and control.

Yet, the common perception of the middle and working classes on the capitalist or the private corporate sector is far from good. In fact, there is a great loss of public trust in this sector. The loss of trust has been driven primarily by three perceptions:

1. Private sector and the corporates within it are seen as a separate class of entities and personalities who are above the law (or at least, that laws are being made specifically to help and profit them), and that they are hand-in-glove with the members of legislatures when it comes to regulation and audit (lobbying or worse, corruption).
2. The private sector as opposed to government (local, state and central) lacks transparency in its operation. People are generally unaware of the corporate decisions being made behind closed doors.

3. Third and most important, the masses see the corporates as greedy and without responsibility. Examples abound here, like what happened with Vedanta, or drawing from our collective memory of what happened in the Bhopal Gas Tragedy where Union Carbide (now, Dow Chemical Company) got away without significant repercussions.

Such a perception, where the masses are wary (to some extent, scared or angry or even outright disgusted) of the private sector needs immediate amelioration. The first hurdle on the path of such an amelioration exercise is that this perception is deep-rooted. It has historical undertones stemming from a colonial history of mass exploitation and irresponsibility, and from the history of post-independence corruption via a nexus between the rich, the businessmen, the government servant and the elected representative.

Rebuilding trust in the private sector therefore, would require more than just 'reputation management' as devised in Public Relations nomenclature. It is not one company we are talking about, we are talking about the entire private sector. For the short-term, certain things have to be done. This editorial mentions four such things, doing which the reliability and credibility of the Indian corporate sector can be addressed and to some extent '*restored*'.

1. We have to bring transparency into corporate decision-making. The proverbial closed-door has to open. There has to be timely and appropriate disclosures in the public domain pertaining to private sector companies. For instance, things like board decisions should be kept in the public domain as part of the public record so, that the public can understand what is going on and as such, act in accordance.
2. We also need that corporates keep an open and free line of communication with the general public. The common man needs to know what the corporates are thinking (their 'thinking processes') and this will be possible only when corporate leaders communicate these to the public.
3. Then we need to remove ambiguity from laws defining corporate governance. This is perhaps one area where there is an overwhelming amount of doubt regarding rules and procedures. Thus, there should be a visible effort towards removing the common man's perception that corporate entities thrive under confusing laws and profit mercilessly in the legally grey areas.
4. In order to profit Lastly, corporate India should '*focus on responsible capitalism*'. For this capitalism has to shift from 'shareholder capitalism' to 'stakeholder capitalism'. Shareholders simply get dividends (which is basically money), but stakeholders get more than that. They get a promise of employee and customer welfare, they get surety of good governance (both corporate and legislative), they get assurances on social benefits like employment generation and ecological sustainability. All these things make the bottom-lines of corporate entities multi-faceted and more prepared for the future.

To conclude, we can say that '*a highly responsible and credible corporate sector can ensure a double-digit GDP growth...and take the country on course to becoming one of the top three economies in the world...along with China and the US.*' And at this point of evolution of the

Indian economy, a responsible, transparent and trustworthy private sector is a necessity. The task of rebuilding trust in the private sector, as such, should begin earnestly.