

Ratan Tata: CSR comes from within; can't be effective in the form of tax

Tata Sons Chairman Emeritus Ratan Tata on Thursday said India's greatest weakness is "inequality in enforcement" of governance and the country is yet to achieve a "transparent position".

Tata who addressed industry captains here also opposed the idea of making corporate social responsibility (CSR) mandatory through a "tax" and said valuations which are very high in the e-commerce space seem to be "driving these companies more than the traditional matrices of evaluation".

"Governance is a means of ensuring that enterprises operate within a framework of a policy. What we are often weak in is enforcement. Our greatest weakness is inequality in enforcement... it depends on who you are," Tata said. "Whether you are a billionaire or a street vendor you are governed in the same manner. If we achieve that in our very large and diverse country, governance will take a more transparent position. We are not there as yet," he said while addressing the annual general meeting of the Indian Merchants Chamber.

Questioning the basics of governance, Tata, said, "we have to go back and ask ourselves how we define governance as. All of us have lived several decades in governance that was micro managing our business and destroying our ability to grow which changed in 1990 when India opened up." Underscoring the importance of good governance, he said, "I believe that governance has an important role in promoting growth. It's not going to happen in uncharted waters. The government's job is to encourage growth through legislation and policies." Opposing mandatory CSR through a 2 per cent "tax", he said CSR is something that "comes from within and cannot necessarily be effective in the form of a tax". The amended Companies Act requires large companies to spend at least two per cent of their profits every year on CSR. "People have asked why we have spent that kind of money which belongs to the shareholders but I believe that each company has the responsibility to work for people who are not just directly involved with the company," Tata said. His mantra for governing a large company comprising of people from different backgrounds is: to set the value system from the top and if there are aberrations, enforce a penalty for the same. On his recent investments in the E-commerce space, Tata said, "the E-commerce space is the new trend in Indian commerce. It's my personal money... and not the company's money. So I don't see where the debate is. I believe that Indian enterprise needs to be encouraged. One needs to lend mentoring to young people to give them a chance." Tata said he can't predict what will happen (to start-ups) but the fact that "they have overseas investors is very good as these investors will exit if they feel the company is imprudent and operating in a grey area". He also acknowledged that valuations are very high and they seem to be driving these companies more than the traditional matrices of evaluation.

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