Q1

(a) What do you understand by 'moral integrity' and 'professional efficiency in the context of corporate governance in India? Illustrate with suitable examples. (b) International aid is an accepted form of helping resource-challenged nations. Comment on ethics in contemporary international aid. Support your answer with suitable examples.

UPSC Civil Services Mains 2023 · GS IV · 10 marks · Ethics in Public Administration

Public / Civil service values and Ethics in Public administration: Status and problems; ethical concerns and dilemmas in government and private institutions; laws, rules, regulations and conscience as sources of ethical guidance; accountability and ethical governance; strengthening of ethical and moral values in governance; ethical issues in international relations and funding; corporate governance.

Core demand of the question

- (a) Explain moral integrity and professional efficiency in corporate governance in India, with examples including Satyam, independent directors and the Companies Act, 2013
- (b) Comment on ethics in contemporary international aid, with suitable examples

Revision summary

Moral integrity in a company is truthful accounts and refusal of promoter capture.

Professional efficiency is competent, lawful running of the firm so value is real.

Satyam showed that apparent efficiency without integrity is fraud; the Companies Act, 2013 strengthened independent directors and audit.

Independent directors work only if they can dissent and resign rather than decorate the board.

International aid is justified as solidarity and fails when it is tied, coercive or delayed until the donor is safe.

Ethical aid needs ownership, transparency, climate justice and accountability to recipients.

Introduction

Corporate offices and aid programmes both move other people's money. Part (a) asks what honesty and competence must look like on an Indian board. Part (b) asks the same test when rich States and agencies help poorer ones.

Body

(a) Moral integrity and professional efficiency in corporate governance

- Corporate governance is the set of duties by which a company's board, managers and auditors run the firm for lawful owners and other stakeholders, not for a private clique.

• Moral integrity here means truth in accounts, no related-party theft, and the courage to dissent when a promoter wants a false picture.

• Professional efficiency means skill in strategy, risk, compliance and disclosure so that the firm creates value without hiding loss.

• Integrity without efficiency can keep a weak firm polite while it fails workers and creditors.

• Efficiency without integrity is Satyam Computer Services Limited in 2009, where inflated cash and revenues looked like a well-run IT firm until the chairman confessed to fraud.

• The Companies Act, 2013 answered that failure with independent directors, audit committees, rotation of auditors, stricter related-party rules, and Section 135 corporate social responsibility, so that one promoter cannot treat the board as a rubber stamp.

• An independent director is not a family friend on the letterhead; the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 expect independence in judgement, attendance and whistle-blowing.

• When independent directors resign in a cluster, as seen in several listed-company crises after Satyam, the market is being told that integrity has already left the room.

• **The Insolvency and Bankruptcy Code, 2016 adds a later efficiency test:** a board that cannot pay must face creditors rather than hide behind political rescue.

• **Indian corporate ethics is therefore two duties at once:** tell the truth in the books, and run the firm with competence that those books can survive.

(b) Ethics in contemporary international aid

• International aid is the transfer of grants, loans, food, medicines or technical help from a State, a bank or a charity to a country that lacks fiscal or disaster capacity.

• The ethical claim is solidarity with people who did not choose poverty, war or a cyclone.

• The ethical risk is that aid becomes a tool of the donor's foreign policy, a market for the donor's firms, or a substitute for the recipient's own tax and accountability.

• Tied aid that forces the recipient to buy the donor's goods raises cost and weakens local producers; the Paris Declaration on Aid Effectiveness (2005) asked for ownership, alignment and untying, yet much aid is still tied in practice.

• Conditionality that demands privatisation or austerity as the price of a loan can harm the poorest first, as structural-adjustment episodes showed in several African and Latin American States.

• Humanitarian aid after an earthquake is a duty of rescue; using the same crisis to extract bases, minerals or votes in a UN body is exploitation.

• During COVID-19, vaccine nationalism and delayed COVAX supply showed that "aid" can arrive after the donor's own population is covered, which fails equal dignity.

• Food aid dumped as surplus grain can undercut farmers in the receiving country even while it feeds a camp for a season.

• **China's Belt and Road lending and Western security-linked packages both need the same test:** is the project transparent, is debt payable, and does the local public have a voice?

• India's development partnership, including lines of credit and vaccine supplies, is ethically stronger when it is demand-driven and free of humiliation, and weaker when it is only a counter to a rival.

• Ethical aid today needs recipient ownership, published contracts, an end to tying where possible, climate finance as grant not only loan, and accountability to the people who receive the goods, not only to the donor's parliament.

Flow diagram

Corporate governance -> Moral integrity

Corporate governance -> Professional efficiency

Moral integrity -> Companies Act 2013

Professional efficiency -> Companies Act 2013

International aid -> Solidarity

International aid -> Conditionality and tying

Solidarity -> Ethical aid

Conditionality and tying -> Ethical aid

Conclusion

Moral integrity is truthful stewardship of other people's capital; professional efficiency is the skill that makes that stewardship last. The Companies Act, 2013 and independent directors exist because Satyam proved that a clever fraud is not governance. International aid is ethical when it reduces need without buying the recipient's policy or market.

Facts & figures

Satyam Computer Services Limited, 2009

The chairman admitted to fabricated cash and revenues; the case drove Indian company-law reform on boards, auditors and disclosure.

Companies Act, 2013

The principal Indian statute on company formation, boards, independent directors, audit, related-party transactions and corporate social responsibility.

SEBI LODR Regulations, 2015

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 set listing duties for independent directors and disclosure.

Paris Declaration on Aid Effectiveness, 2005

Donor-recipient compact on ownership, alignment, harmonisation, managing for results and mutual accountability, including less tied aid.

COVAX

The COVID-19 vaccine-sharing facility that was meant to supply lower-income countries and was widely criticised for late and unequal delivery.