- It also **emphasizes on timely disclosure of information as well as results** rather than processes. The quality of corporate governance affects the cost for corporations to access capital for growth and the confidence with which those who provide capital can participate and share in their value creation on fair and equitable terms. Thus, making economic efficiency a natural consequence of good corporate governance.

Contrastingly, poor corporate governance weakens a company's potential, can lead to financial difficulties and in some cases can cause long-term damage to a company's reputation as can be seen in cases financial scams like Satyam, Sahara etc.

In the following questions, carefully study the cases presented and then answer the questions that follow (in around 250 words):

9. A hilly state witnessed torrential rains leading to loss of life and property. Apart from the local inhabitants there were tourists stranded in large numbers. With the supply chains broken and increased demand, it was observed that local shopkeepers started selling essential goods at very high prices. With a very restricted possibility of being evacuated in the coming few days, the stranded people feel helpless. A crumbled governance infrastructure in remote areas has multiplied the extent of their agony. Given this situation, answer the following questions.

(a) Identify the various stakeholders in the case and give a reasoned account of their interests. Given the administrative, market and ethical perspective of viewing the situation, do you think there is a conflict in the priorities of these stakeholders?

(b) Suggest ways to harmonize competing interests in order to resolve the issues, provide relief and prevent escalation of conflict.

Approach:

- In first part of the answer, identify the stakeholders and discuss their interest.
- Provide an administrative, market and ethical view of the case, and if there is conflict in the priorities of the stakeholders.
- Finally, suggest ways to harmonize the competing interest and discuss ways to prevent escalation of conflict and provide relief.

Answer:

(a) The given situation is a situation of national disaster which affects the society at large. There are following key stakeholders involved in the case:

- **Stranded People** – It includes locals as well as tourists. They face the risk to their lives through various dangers such as flood, landslides, shortage of food, etc. For locals, they also face the risk of loss of property. They would want quick action by the government so that normal livelihoods are quickly restored. Tourists are the most vulnerable, as they are away from their homes and have little knowledge of local territory and network. Their interest lies in quick evacuation and that there is adequate and affordable accessibility of essential goods.
- **Market** – The shopkeepers and other market players exploit the calamity for their personal benefit. Although, they can justify the high price of essential goods due to mismatch of demand and supply, the indeterminable nature of fair and just price leaves open the scope for exploitation.
- **The State** – The state has responsibility towards the society. It is state's duty to protect the citizens, minimize the risk, provide relief and rehabilitation. The state interest lies in meeting the demands of all classes of citizens in a fair and just manner.

Due to the competing or complementary interest of the stakeholders, they view the situation different as described below.

- **Administrative view** – The administration of country is run to protect the interest of all the stakeholders of the society. The administrative view is to prioritise rescue and relief and maintain supply of essential commodities at reasonable prices. Essential commodities Act (ECA, 1956) can also be invoked to this effect.**Market** – A truly free market functions on the principle of demand and supply. Thus, it does not welcome any kind of state intervention. In the given situation, the market sees an opportunity to charge high price for essential goods.
- **Ethical perspective** – The state has the right to intervene to maximise the welfare of the society. Interests of a few cannot be allowed to compromise the life and very existence of others. Markets are not an end but a means to maximise societal well-being. However, the present case is one of market failure and potential exploitation, so it would be ethically sound for the state to intervene. Greed is not