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# Developing and regulating a profession

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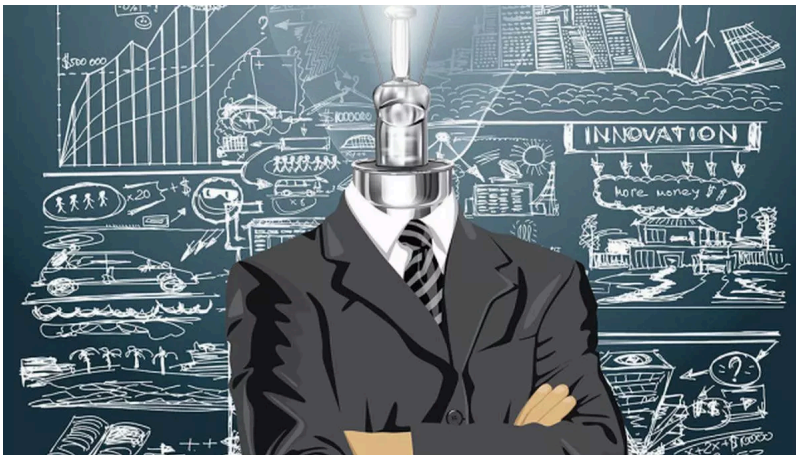
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**In a service-led and technology-driven world, professionals need to adapt their skills and be more accountable**

BY MS SAHOO, KP KRISHNAN

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Indian society,  
like any other,  
has been  
witnessing a



FEEDBACK

proliferation of professions. Their influence in the making of the society and the economy has been growing over the years.

Given the growing complexity and importance of services, professionalisation to a large extent determines the competitive edge of nations and sustainability of prosperity.

The general framework for governance of professions has been establishment of an authority with twin responsibility of developing and regulating a profession.

For example, an authority, namely, the Institute of Company Secretaries of India (ICSI) has

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BY AARATI KRISHNAN

been established for regulation and development of the profession of company secretaries. This is so because regulation and development feed on each other in a virtuous circle. This framework, however, requires periodic review to keep the professions relevant in the emerging environment.

### **Education**

**options** A major component of development of a profession has been imparting education. This is not the exclusive domain of the authority responsible for the profession. Nor does the authority only have the capability to undertake this.

For example, a student of

company  
secretary course  
is required to  
have knowledge  
of capital  
markets. ICSI is  
not the only or  
the best agency  
with the  
authority or  
ability to impart  
education on the  
subject. Many  
agencies,  
domestic and  
international, are  
equally capable.  
ICSI may merely  
prescribe the  
syllabus keeping  
in view the  
requirement of  
the profession. It  
may collaborate  
with any other  
agency or even  
compete with  
other agencies to  
impart education  
on the subject.

Now that  
massive open  
online courses  
(MOOCs) like  
Coursera and  
Edx or  
educational  
websites like  
Khan Academy  
provide free

world-class  
education for  
anyone  
anywhere,  
authorities like  
ICSI may,  
perhaps, need to  
underplay their  
traditional role  
in imparting  
education.

A profession is  
all about  
appropriate  
response to  
situations. If this  
response could  
be standardised,  
this can be  
programmed and  
delivered by  
machines. Take  
the example of  
traders in stock  
market. They  
were sought after  
and highly paid  
professionals.  
They used to  
apply  
complicated  
mathematics  
and algorithms  
to arrive at  
trading  
strategies. Now,  
machines do  
this.

Similar is the case of cashiers in banks who have been replaced by ATMs. Much of the work which was earlier done by professionals is now being done by technicians.

What is left for professionals now is what can't be programmed and what requires application of mind, though an ethical mind. But what requires application of mind today may be programmed and delivered by machines tomorrow.

So the authorities have to continuously move the students and members of the respective professions up in the value chain.

**Regulatory challenges** The

authorities are monopolists in the space of regulation. For example, ICSI is the only authority responsible for developing secretarial standards. It is exclusively responsible for laying down the standards of services rendered by company secretaries and the code of conduct for them.

It is also solely responsible for penalising the company secretaries who have failed to comply with the applicable laws. Since they are the exclusive authorities for regulation, they must have adequate capacity and capability to regulate the respective professions.

The frontiers of knowledge are expanding. What one had learnt a decade back has become redundant today. The Companies Act, 1956, which has been the bible for last 60 years for company secretaries, gave way recently to the Companies Act 2013. Simultaneously, the old environment is also disappearing.

For example, dematerialisation of securities came in; with this the work relating to transfer of shares disappeared. The new knowledge and new environment is forcing professionals to be always on the learning curve. The authorities, in their regulatory

role, should  
require the  
members of the  
profession to  
continuously  
learn, unlearn  
and relearn, and  
in their non-  
exclusive  
developmental  
role, provide  
opportunities for  
such learning.

There was a time  
when broking  
was a profession  
dependant on  
skills and  
expertise of an  
individual. Now  
individuals are  
practically  
prohibited from  
undertaking  
broking. It has  
become an  
institutional  
business. A  
similar trend is  
observed in case  
of medical or  
legal professions.

This is  
essentially  
because both  
business and  
profession are  
becoming  
complex and it is

beyond the capability of an individual professional to meet the needs of a client fully. The authorities must promote members of different professions coming together to provide integrated professionals services.

There is increasing organisation of economic activity. We have over 10 lakh companies and 10 lakh not-for-profit organisations. The State does not, and cannot have capacity to, exercise oversight on this burgeoning number of organisations.

It is increasingly using professionals on its behalf to exercise

oversight on these organisations. The examples are financial audit, internal audit, secretarial audit, signing and filing of various forms and certificates, due diligence under the securities laws, etc. A professional is obliged to report fraud when she comes across any, in the discharge of her functions.

These are second order state functions undertaken by a professional in public interest even though she is paid for her services by her client or employer. Her private interest may occasionally get precedence over the public interest which is her duty. Therefore, a

professional  
needs to subject  
to an appropriate  
accountability  
framework,  
including an  
objective,  
transparent and  
accountable  
disciplinary  
mechanism.

**Adapting all the  
time**

The  
governance of  
the authority  
responsible for  
the development  
and regulation of  
every profession  
must be similar  
to modern  
regulators with  
legislative,  
executive and  
judicial  
functions. It  
must have  
similar internal  
safeguards and  
processes and  
similar  
arrangements for  
autonomy and  
accountability. It  
needs to set  
standards which  
would require  
continuous  
modification to

meet changing  
needs.

The law may  
enable  
expeditious  
formulation of  
regulations,  
without  
requiring  
government  
approval. The  
authority may  
have an  
empowered wing  
to conduct  
inspection, audit,  
inquiry and  
investigation  
effectively to  
arrive at the facts  
and present the  
same before an  
empowered dis-  
interested  
adjudication  
panel seeking  
appropriate  
sanctions.

It must focus on  
regulation and  
value-added  
developmental  
role and  
zealously  
safeguard the  
reputation and  
integrity of the  
profession. Since  
these are public

goods, its income and wealth may be exempt from tax, similar to that of SEBI.

(Sahoo is Secretary, Institute of Company Secretaries of India. Krishnan is Additional Secretary, Ministry of Finance. The views are personal)

#### COMMENTS

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