NSEL's investors involved clients from nearly every major broker in the country. Even the Sahara Group, which is under RBI and SEBI fire, was found to have invested more than Rs 200 crore. Some NSEL board members were close to political bigwigs like Union Agriculture Minister SharadPawar. CEO AnjaniSinha had earlier in his career overseen defaults in two exchanges in Magadh and Ahmedabad.

#### WHO BLEW THE WHISTLE?

On 31st July 2013, NSEL was stopped from carrying out any new contracts by the Government. The news spread like a fire and the 13000 investors where left shocked and since then they didn't get their payouts and NSEL's MD AnjaniSinha kept insuring the investors with statements as shallow as their warehouse receipts. Leading to a protest on 28th August 2013 at the Financial Technologies Ltd office by hundreds of investors. All the regulatory authorities were wondering as to why the investors are not filing a written complaint against NSEL. Whereas, the investors were confused, as to which door to be knocked for help.PankajRamnareshSaraf one of the investor, took the brave stand of filing an FIR against NSEL. Now, the ball was in EOW's (Economic Offence Wing) court.

In no time, we saw two arrests of key people of NSEL AmitMukerjee (Assistant vice president; business development) and Jay Bahukhandi (Assistant vice president; warehouses) they are under arrest and will be interrogated till 18th of October, 2013. Jignesh Shah and his team of NSEL had been charged under the IPC sections 409, 465, 467, 468, 471, 474, 467, 120(B) and 34. All these sections focus on forgery and criminal conspiracy. Shankar Lal Guru and Joseph Massey too are under interrogations. EOW is not leaving a stone unturned. Now that they know what exactly they were doing, but the management continues to play the blame game. And hence, amidst all the blaming, question remains the same; where is the money?

#### LAPSES BY REGULATORS

The FMC was supposed to control regulation of all forward contracts. Although NSEL had received an exemption, it was only for the T+2 contracts and definitely not the T+35 contracts. The new FMC Chief, Ramesh Abhishek followed this up since 2012, but what about those before him?

The Department of Consumer Affairs was the de facto regulator when no one else was. It had been made aware of the situation over a year ago and should have taken action, and it didn't.

Even after the scam was unearthed, and the scale of the borrowing discovered, regulators remain tight-lipped about action. SEBI has barred some of the 24 'borrowers' from trading on the stock exchange, and FMC has ring-fenced MCX (a commodities futures exchange which shares the same promoter, FinTech, with NSEL) from helping the beleaguered NSEL with its cash. However, any other actions have yet to come through.

Where is the RBI? Banks have lent to operations that involve stocks in warehouses. In fact, some photos of NSEL warehouses explicitly state that goods are pledged to certain banks. Are these goods there? Has the RBI asked banks to initiate a probe? Not yet.

If FinTech is the promoter of NSEL, and NSEL has seen a huge default, the obvious next step is to declare that FinTech is not 'fit and proper' to run any other exchange, including MCX. This has not yet happened.

Given this is a huge fraud, it remains astounding that agencies like the CBI, the Economic Offenses Wing or others have not been brought in to investigate. The failure of regulation could be because there are too many agencies involved.

#### FIVE MAJOR LAPSES

# 1. Distortion of meaning of spot transaction:

What is a spot transaction? For dealers in currency, a spot transaction is one in which the settlement of transaction happens on T+2 basis. In equities, it happens generally on a T+2 or T+3 basis. In our real life, spot transaction in which we pay money and receive goods immediately. So why did it extend upto T+35 basis on NSEL? Isn't it complete distortion of concept of spot contract? Even if we look at definition of ready delivery contract under Forward Contract Regulation Act (FCRA), it says, "Ready delivery contract means a contract, which provides for the delivery of goods and the payment of a price therefore, either immediately or within such period not exceeding eleven days after the date of the contract and subject to such conditions as the Central Government may, by notification in the official Gazette, specify in respect of any goods, the period under such contract not being capable of extension by the mutual consent of the parties thereto or otherwise." NSEL gave a new concept to the spot transactions in the absence of proper regulatory control.

# 2. Regulatory Vacuum:

While NSEL is to be blamed for the current mess, this case also reflects the regulatory vacuum in context of the how a spot exchange needs to be run. There was no clarity on who should regulate spot exchange. It was not under the control of Forward Markets Commission (FMC) as spot contracts are different from forward contracts. Also, since it is not a not a contract on financial assets, Securities and Exchange Board of India (SEBI) or Reserve Bank of India (RBI) could have regulated it. NSEL knew this better than anybody and exploited the vacuum to float contracts, which created opportunities for transactions in commodities. One sudden day when Ministry of Consumer Affairs (MCA) came out of slumber, it felt the need to regulate the exchange. Why was the regulation of NSEL, never taken seriously? How can an exchange be allowed to trade critical asset like commodities without proper regulation? This is classic case of regulatory vacuum. Or is it that it was known to the government and was being overlooked? This needs to be investigated.

# 3. Ownership structure issues:

This is a point, which no one is raising. It is pertinent to note that the ownership requirements for stock exchanges were notified by Government of India vide SCR (Manner of Increasing and Maintaining Public Shareholding) Regulations, 2006 (MIMPS). If NSEL is not a stock exchange strictly, should not there be a similar regulation of other exchanges as well. Promoters of NSEL

are Financial Technologies and National Agricultural Cooperative Marketing Federation of India Ltd. Why not to have clear-cut ownership requirements of all other exchanges in the country whether stock exchange or commodity exchange. The ownership structure of spot exchange needs a change immediately to bring more transparency.

# 4. Spot exchange promoting speculation:

What is the objective of existence of an exchange? Nothing explains this better than the mission statement of National Spot Exchange "To develop a pan-India, institutionalized, electronic, transparent Common Indian Market offering compulsory delivery-based spot contracts in various agricultural and non-agricultural commodities with a reduced cost of intermediation by improving marketing efficiency and, thereby, improving producers' price realization coupled with reduction in consumer paid price".

Sounds great, isn't it? However, practically the spot exchange became a place for speculation for investors and commodity holders. People with no direct interest in commodities started speculating in commodities. There are reports, which suggest that the spot exchange became a place where 10% plus returns were guaranteed. While commodity holders deposited commodity in the warehouse to sell commodity, investorsbought it and sold a longer settlement period. For example, if the depositor of the commodity sold it on T+2 basis and was bought by an investor, the investor further sold it for T+25 basis. This resulted in creation of repurchase contract, which is also known as repo contract. This was the beginning of speculative activity. Most of the transactions were driven by speculation and the opportunity to make short term and quick money.

# 5. Poor Audit and transparency issues:

Reports in the media suggest that NSEL claimed that it had Rs6200 crores of stocks against the settlement exposure of around Rs5,400 Rs5,500 crore. The exchange also claimed that it had settlement guarantee fund of Rs800 crore. The Economic Times reports that this guarantee fund has dwindled to Rs60 crore today.

But the most important question that remains unanswered is, "If there is a mechanism to verify the value of stocks which NSEL claims to have?" There is no third party verification of this claim available in public domain. Also, if the money is to be realized from sale of these assets, will it get converted into Rs6,200crore. The transparency of exchange operations is also not very opaque in absence of proper regulation. The audit reports in this regard are still awaited.

#### CRISIS IN CORPORATE GOVERNANCE

NSEL crisis has in fact opened a Pandora's Box. It presents an example of bad strategy and poor corporate governance. The NSEL corporate governance system failed to address the issue of conflict of interest In an over -regulated country, this is an example of absence of proper regulation. There was utter lack of transparency, integrity, competence, compliance with law and ethics.

- An inspection by the Corporate Affairs Ministry has found that NSEL's board failed to perform their duties towards shareholders in violation of regulations.
- Inspection of books of NSEL, as directed by the Corporate Affairs Ministry, found lapses on the part of the board of directors in carrying out their duties towards protecting interests of shareholders.
- There has been corporate governance failure at multiple levels, including lack of transparency, integrity, compliance and ethics.
- Exchange did not set up many committees as required under regulationsAmong others, the exchange did not set up vigilance, dispute resolution, trading, clearing and arbitration panels.
- There have been discrepancies in the minutes of board meetings and it has been found that the board did not discuss the exchange's compliance with various rules such as those related to admission of new members, they added.
- Many of the NSEL directors, including Jignesh Shah and Joseph Massey, were holding common directorship in group companies of Financial Technologies and they cannot claim to be not aware about happenings at the exchange.
- The EOW charged NSEL promoters, directors and defaulters with cheating, forgery, breach of trust and criminal conspiracy, among others.
- The Ministry of Consumer Affairs, for a long time, turned a blind eve on the violation of conditions, under which trading on NSEL was exempted from the application of Forward Contract Regulations.
- According to an inspection by the Corporate Affairs Ministry the National Spot Exchange (NSEL) and its board not only violated multiple regulations but did not take action against repeated defaults which resulted in the current crisis at the bourse.
- The Registrar of Companies (RoC), Mumbai, has concluded that the crisis-ridden NSEL breached as many as 15 provisions of the Companies Act, including those related to corporate governance, sources said.
- Commodity exchange never declared any member as defaulter despite repeated instances of defaults, which is also one of the main reasons for the present crisis. Many of the defaulters were also allowed to trade and increase their exposure, they added
- Flagging various concerns, the inspection found that the exchange did not have a mechanism for verification of physical stock at the warehouses.

#### **IMPACTS OF SCAM**

Ripples of the crisis was felhot just in the commodities market but even in the stock market, where shares of NSEL promoter group companies saw a major sell off. Over Rs 5600 crore trades remain unsettled. The real losers in this entire episode have been investors About 15,000 investors have to receive funds from the exchanges. Half of these investors are small investors. Several leading brokering house like MotilalOswal, Indian Infoline, Geojit also suffered as their clients had exposure to the tune of Rs 700 crore.1

#### 1. Deficit of Trust.

The NSEL crisis shows the investment community one thing: we do not have adequate regulation or enforcement. That if there is a crisis, the 'agreement' will not be sacrosanct; it will be secondary to the interests of the parties who have better political and business connections.

This default will trigger other issues, and in a country already branded as crony capitalist, the lack of will to enforce laws and put people in jail for fraud will hamper future investment. Decisive action is required, but the window for action is fast shrinking. There is a political fallout to this crisis, but the details on that are sketchy at best.

The problem really is: we have lost trust. The entire financial system is based on-trust for example, if everyone tried to withdraw his or her bank deposits at once, we'd have to shut everything down. Every attempt to undermine this trust must be dealt with heavily.NSEL's 'getting away' will leave us all with a deficit worse than a fiscal or current account one: the Deficit of Trust.

# 2. Impact on MCX

There is no direct connection between MCX and NSEL, except that both share a common promoter, Financial Technologies Ltd.MCX is a well-regulated commodities futures exchange. The volumes in it haven't come down quite as much as one would suppose. Its share price fell 60 percent after NSEL's shutdown announcement on July 31 but has now recovered to a mere 40 percent fall. The expectation is that regardless of what happens to its promoter FinTech, MCX will be sold— and there are willing buyers. However, as MCX too operates in commodities trading, this event could lead to tighter regulatory scrutiny of the latter.

# 3. Impact on Fintech

FinTech, at Rs 111 per share, is down over 70 percent from its 31st July price of Rs 540. It derived a large portion of its profits from NSEL – the trades resulted in outsized earnings through exchange fees. But the sudden lack of profit is not its only problem. If it is declared unfit to run exchanges – and it has about nine of them– that would destroy the enterprise. Apart from this, there are potential fraud charges if more dirt is discovered.

#### **CONCLUSION**

NSEL crisis has in fact opened a Pandora's Box. It presents an example of bad strategy and poor corporate governance. The NSEL corporate governance system failed to address the issue of conflict of interest. In an over-regulated country, this is an example of absence of proper regulation. There are reports that the government knew about the lapses but did not initiate any action. In fact, the entire crisis has raised a number of issues related to the functioning of the spot exchange. This crisis is a great learning for regulator, investors as well as exchanges. There is an immediate need to regulate exchanges on a comprehensive basis. In addition, the government needs to ensure that blatant speculative activities are not allowed through exchange platforms especially in case of commodities. Another important lesson learnt is that regulatory

transformation should be smooth even if some glaring mistakes are found to avoid panic in the market.

It is a bad idea to search for regulatory grey areas with the expectation that the firm will flourish faster in the absence of regulatory constraints. When a firm operates in a twilight zone, it exposes itself to enormous risk of regulatory overdrive when the incentive to the regulator fails to motivate it to turn a blind eye on the operation of the firm. When the promoter develops a business model with the objective of circumventing regulations, the firm starts on a weak cultural foundation. It signals disregard for laws and regulations. Illegal and unethical transactions thrive, causing ultimate demise of the firm. There are examples that certain promoters could build business empires on poor ethical foundation, but those are exceptions. The risk that the business model will fall flat sooner than later is genuine.

The corporate governance approach needs to change from a tick box approach and mere documentation. Basically, the new approach towards corporate governance should provide enough indication to the investors and potential investors if a company is found wanting in implementation of corporate governance policy. Inability to follow corporate governance practices should have provision for severe monetary penalty for independent directors and board of directors in general. Also, if there is any significant breach of corporate governance is found in one company, the independent director should not be allowed to act as independent director in other companies.

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# A STUDY OF SOCIAL, ENVIRONMENTAL & ECONOMIC CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES OF HINDUSTAN UNILEVER CORPORATION IN INDIA.

# Mrs.Shital Padhiyar

Assistant Professor at S.S.Agrawal college of Arts, Commerce and Management, Navsari. E-mail id: Padhiyarsuccess@gmail.com Contact No: 9724302546

The concept of CSR has been evolving for decades. CSR is a multidimensional concept. Corporate social responsibility is represented by the contributions undertaken by companies to society through its business activities and its social investment. This is also to connect the Concept of sustainable development to the company's level.

The government of India has made it mandatory for companies to spend at least 2% of net profits on CSR. The various activities have been listed as a part of CSR which could be done by Corporate as per the norms set by Government of India. The paper focuses on the study of all such activities which is a part of CSR implemented by Hindustan Unilever Limited. The activities are further divided into major three categories that are social, environmental & economic Corporate Social Responsibility activities.

The increasing relevance of CSR in India has increased from the fact that a business cannot succeed by ignoring the social needs of society. The research is based on the thorough secondary data analysis of the sustainability reports, various research publications on the CSR. Based on its proper analysis of HUL's corporate social activities has been done and the level of penetration of each social, environment and economic activities of HUL corporate social responsibility activities is done by comparing it with the norms set by Government of India for CSR.

**Key Words**: CSR, sustainable development, Social, economic, environment CSR activities, Business strategy, ethics, society, needs

#### **INTRODUCTION**

The purpose of a business....is not to make a profit, full stops. It is to make a profit so that the business can do something more or better. That "SOMETHING" becomes the real Justification for the business...It is Moral issue. This morality is shown by many corporate organizations. There are many emerging challenging issues for corporate that are not only the profitable but they are as needed for to serve to the society. It is challengeable duty for the growth of organization, is it a Must or Should?

The value that people attach to the goods and services they buy from companies is shown by what they are willing to pay for them. The costs of producing those Goods and services are a measure of what society has to surrender to consume those things. If what people pay exceeds the cost, society has gained—and the Company has turned a profit. The bigger the gain for society, the bigger the Profit.

Corporate social responsibility of business encompasses the economic, legal, ethical, and Discretionary expectations that society has of organizations at a given point in time. (Archie B. Carroll, 1979).

CSR has become the password to not only overcome competition but to ensure sustainable growth. An organization receives inputs from society in the form of skilled /unskilled labor, raw material and natural resources, and in turn offers goods and services to society. Thus business depends on society for their existence and it is in their interest to take care of society.

Central to the concept of CSR is deciding where companies fit within the social fabric. By addressing business ethics, corporate governance, environmental concerns, and other issues, society creates a dynamic context in which firm operate.

Businesses are largely responsible for creating wealth and driving progress within society; however, they do not act alone. Governments are crucial because they set rules and parameters within which society and businesses operate. CSR brings you to the cutting edge, where corporate competencies mold the business strategies that enable firms to compete with each other. And, when they compete in the market place, CSR offers a sustainable path between unbridled capitalism, with its mixed consequences, and rigidly regulated economies plagued with artificial and stifling limitations. CSR helps businesses optimize both the ends of profit and the means of execution.

# LITERATURE REVIEW

CSR: Rebuilding Trust in Business A PERSPECTIVE ON CORPORATE SOCIAL RESPONSIBILITY IN THE 21ST CENTURY. This article is based on a speech by Niall Fitzgerald, Chairman of Unilever, in October 2003 at the London business School as part of their distinguished speaker series. The article highlights the philanthropy of the company towards sustainability living.

Gap: The case study was done in 2003 where as the research will be done for the case study of same company from 2012-13.

Sarika Tomar and Rakesh Gupta in their case on "DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY IN INDIAN FAMILY BUSINESS: A CASE OF TATA IRON & STEEL COMPANY" has studied an Indian family business corporate doing various CSR activities in their region.

Gap: An Indian family business CSR activity has been studied and I will be doing research on a MNC.

According to Suparn Sharma, Jyoty Sharma, Arti Devi in their paper on "CORPORATE SOCIAL RESPONSIBILITY: THE KEY ROLE OF HUMAN RESOURCE MANAGEMENT" published in Business Intelligence Journal - January, 2009 Vol.2 No.1, article no.9 has focused on how Nurturing a strong corporate culture which emphasizes Corporate Social Responsibility (CSR) values and competencies is required to achieve the synergistic benefits. The employees of an organization occupy a central place in developing such a culture which underlines CSR values

and competencies. Their study, therefore, was an attempt to explore the engagement of human resource management professionals in undertaking Corporate Social Responsibility. It also suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. The combined impact of CSR and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success in organizations.

Gap: This Literature review was an attempt to explore the engagement of human resource management professionals in undertaking Corporate Social Responsibility. It also suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. This has been taken in my research HRM is one of the aspects CSR where other variables like operational, socio economic variables are considered along with it.

According to jorge Arevola and Deepa Aravind in their academia paper on "Corporate social responsibility practices in India: approach, drivers, and barriers" published in corporate Governance journal, Vol.11 No.4 2011,pp 399-414 @Emerald Group Publishing limited, has focused on how corporations in India interpret corporate social responsibility (CSR). Focusing on four commonly known approaches: ethical, the statist, the liberal and the stakeholder approach. They have surveyed top level managers of a sample of companies currently engaging in a CSR initiative representing a variety of industry sectors. The findings was the most favoured approach of CSR by Indian firm is stakeholder approach and that the caring or the morale motive, followed by the strategic or profit motive, are important drivers for Indian firms to pursue CSR. Further, the results has indicated that the most significant obstacles in CSR implementation are those related to lack of resources, followed by those related to the complex and difficulty of implementing CSR

Gap: The Limitation of this study was that it focused on the activities of leading Indian firm participating in the UN Global Compact (GC),( The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anticorruption) which has provided scope for the research to be conducted by either conducting comparative studies of non-participants to the GC, or by investigating CSR practices of firms engaging in other voluntary initiatives.

According to Helen Wadham in her thesis on "How can partnerships between NGOs and business add value to Corporate Social Responsibility programmes in developing countries? Lessons learnt from a case study of Concern Universal and The Tetley Group in Malawi", November 2005 has mentioned in their paper that, NGOs, business and beneficiary communities can benefit from NGO/business partnerships, specifically their combination of on the-ground projects, added value activities and traditional fundraising/advocacy work. Partnerships are qualitatively different from other institutional relationships, owing to the time and resources required to establish and manage them:

Different opportunities and challenges arise during the partnership lifecycle. Differences between NGOs and business contribute to their core competencies, representing a potential source of strength to partnerships.

**Gap**: this literature review is a study of Partnership of NGO and Corporate which is also an Operational aspect of CSR. And my study is on all aspects of CSR.

After the above literature review following research methodology is adopted.

#### **RESEARCH METHODOLOGY:**

**Research statement**: A case study of a MNC company Hindustan U nilever Limited has been taken here.

**Objective of study**: To study various activities of CSR by the organizations

**Research design**: Case study method

**Data collection**: Secondary data (HUL annual report 2012-13, various research articles, etc)

# A Case study of Hindustan Unilever Corporation CSR activities in India.

Hindustan Unilever ltd. has grown into one of the world's major consumer goods businesses by making and selling brands – such as *Dove, Omo, Lipton* and *Knorr* – that meet people's everyday needs. Each day, 150 million people choose Unilever products to feed their families and clean themselves and their homes.

According to the Harish Manwani, Chairman of HUL "by Sustainability is now firmly at the heart of our business model and is driving growth, reducing costs and fuelling innovations that are good for the planet and for consumers. We see this as a source of competitive advantage for the business now and in the years ahead.

We generate employment. For every job we create in Unilever we indirectly create several more in our supply chains and distribution channels. And businesses create less tangible social and economic benefits such as training and the transfer of skills, technology and know-how."

HUL is a company which follows the norms of Government of India that at least 2% of net profit is spends on CSR activities.

# Various Corporate social responsibility activities at HUL

The activities are further divided into Social, Environmental & Economic Corporate Social Responsibility activities.

# SOCIAL CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

#### Ethical advertisements and products marketing

- Company does not advertise their products to children below 12 years.
- HUL does not encourage unhealthy dietary habits; neither blurs the boundary between promotion and content.

• All Company products comply with the applicable regulations such as the Drugs and Cosmetics Act, Legal Metrology Act, Bureau of Indian Standards Specifications, Trademark Act and Copyright Act, Food Safety and Standards Act, Tea Act, Tea Board Regulations etc for Labels and Pack Information.

# A gender balanced work place

HUL aims to become a gender balanced organization. For it a 'Career by Choice', a re-hire programme has been implemented to provide platform for women looking for real opportunities to work flexibly and part time on live business projects. With these enablers, Company has seen an 8% shift in the Gender Balance Ratio over the last two years.

# Creating leaders for the future

HUL is well known for nurturing talent and building leaders.it is the company's policy that a leader should develop a leader. This mindset ensures that leadership gets engrained across the Company, rather than place it as the responsibility of a function or a few individuals.

#### A learning culture of 70:20:10

Company follows a holistic 70:20:10 capability building approach across functions. That is 70% of all capability is built on the job, 20% through coaching and short term projects and 10% through classroom learning. There are multiple forums for learning including quarterly webcasts, regular guest sessions from industry stalwarts and portals to ensure a constant flow of best practices. Learning practices of HULare best -in-class with approximately 15,113 man days classroom training and 41,658 e-learning courses completed over last year.

# **Employer of Choice**

HUL has been selected as a Dream Employer by B-School.

#### CREATING A PERFORMANCE CULTURE

#### **Employee Engagement**

Company does a Global People Survey (GPS) which measures the level of engagement of all employees showed a 10% improvement from 2010. A very high percentage of employees said that they were proud to work for HUL. It is one of the best company which scores high on employee engagement.

#### Health and Safety at the workplace

The mission of the company is to protect and enhance the well being of our employees, visitors and partners.

Occupational Health is considered one of the prime responsibilities of the entire line management. Company's CEO heads the Central Safety, Health & Environment Committee, which reviews the health and safety performance of the Company.

# **Following Human rights**

Company follow the human rights practices where respect for the right of employees to freedom of association and recognition of employees' rights to collective bargaining is allowable by law. There are 96 employee associations which have been recognised by the management. Nearly 9,000 permanent employees are members of these associations. During the last year, the Company has entered into a long term settlements with over 3,000 employees covering eight factories across India.

#### **Fair labour Practices**

Company has maintained very good industrial relations and since 2008 had maintained a record of nears-zero loss of man-days due to industrial unrest. However, in 2012 13, the Company lost over 4,000 man-days due to industrial unrest. The Company currently has over 6,000 employees which are employed on contractual / temporary basis.

# **Grievance handling**

Company has given clear guidelines to prevent use of child labour, forced labour, discriminatory employment and sexual harassment in its own operation as also for its business partners / suppliers.

The CoBP and Whistle Blower Policies provide for reporting of such issues in confidence. The Company has provided for a dedicated e-mail address and a 24 hours hotline to which all whistle blower complaints can be sent. The identity of the complainant is always protected. The Company has put in place systems and mechanisms to ensure non retaliation and non-victimization of the complainant.

All complaints, including complaints of sexual harassment, received are dealt as per the CoBP protocols. During the year, there have been no complaints alleging child labour, forced labour, involuntary labour and discriminatory employment.

# A member of UN Global compact programme

Unilever globally is a signatory to the United Nations Global Compact Programme and is fully committed to the principles of the UN Global Compact which cover human rights, labour practices, environment commitment and prevention of corruption in business organisations.

# **Environmental Corporate social responsibility activities**

#### Conversation of water

To conserve water, Hindustan Unilever Foundation (HUF), a wholly-owned subsidiary of HUL was established. The HUF has undertaken water conservation and storage projects in the states of Madhya Pradesh, Gujarat, Tamil Nadu, Karnataka and Maharashtra. The projects are in partnership with state governments, NGOs, government agencies such as NABARD and members of the local community. The Foundation's partnerships have resulted in water storage and conservation potential to the extent of 25 billion litres as of March 2013. The target is to conserve 70 billion litres of water by 2015. Over the years, we expect one million people to benefit from our efforts and a 15% rise in crop production in villages in India.

#### Sustainable source of raw material

It has an excellent progress in their effort to achieve 100% sustainable sourcing of our agricultural aw materials. Today, 69% of their agricultural raw materials are sustainably sourced. This includes 100% of our palm oil, which is now all backed by Green Palm certificates.

# Reduce carbon dioxide emissions, water use and wastage.

Project Neutral was launched which reduce the impact of manufacturin g processes on the environment that is for every tonne of production in their factories, C0 2 emissions reduced by 22%, water use by 29% and waste by 77% compared to 2008 baseline. 31 out of our 38 factories are now zero non-hazardous waste to landfill.

Magic water saver and comfort one rinse were launched as pilot projects to significantly reduce water consumption in Laundry.

In 2007, Company stopped purchasing Hydrofluorocarbons refrigerant cabinets and replaced them with new cabinets that use climate-friendly Hydrocarbon (HC) refrigerants. These freezers have brought about a significant reduction in our carbon footprint. More than 30,000 such green freezers with HC technology have been deployed in India.

# **HUL's Sumerpur factory wins 'National Energy Conservation Award'**

Sumerpur factorywhere soaps and detergents are manufactured pursued to reduce energy consumption in 2013 by replacing all old motors with energy efficient motors. This helped save 5, 67,566 KWH of power which is equivalent to power consumed by the whole factory in one month. The factory saved another 3, 16,305 KWH of energy by replacing the reciprocating compressor with a screw compressor and 40,824 KHW by replacing the chiller compressor with a scrolled air cooled compressor.

Apart from investing in hardware changes, the factory also focused on reducing batch cycle time, decreasing motor rating, reducing consumption of furnace oil used for steam in production. The Sumerpur factory also saved energy by using a skylight for lighting the shop floor.

#### **ECONOMIC CSR ACTIVITIES**

Unilever focusing on sustainable living needs, it builds brands with a significant purpose. By reducing waste, it has been increasing efficiencies and reduces costs, which help to improve their margins. And according to them product development, sourcing and manufacturing through a sustainability lens, opens great opportunities for innovation

Various products have been introduced by the company which is sustainable.

# Promoting hand washing and reducing diseases

- Lifebuoy aims to changehand washing behaviour of people by educating them about hygiene. Lifebuoy adopted Thesgora in Madhya Pradesh, which has one of the highest rates of diarrhea in India. Through the Gondappa campaign, Lifebuoy raised awareness about how washing hands with soap can drastically reduce the number of children dying from infections such as diarrhea.
- At the Mahakumbh Mela, Lifebuoy partnered with over 100 restaurants to raise awareness about hand hygiene. Over 2.5 million Rotis (Indian breads) carried the stamp "Lifebuoy se haath dhoye kya?" (Did you wash your hands with Lifebuoy?) and reminded people to wash their hands before eating!

#### **Driving health and nutrition**

- Company has highlighted the Research which shows that, tea contains flavonoids that help in improving immunity, blood circulation and burning of fat. Red Label strengthened its credibility with a Health Challenge. The campaign received 2.6 million calls and 1.8 lakh testimonials in three months.
- Foods portfoliowas made in such a way that it has less than 5g salt target and significantly reduced saturated-fats from spreads and calories from frozen desserts.
- More than 60% of their ice cream portfolio in India contains 110 kilocalories or fewer per portion. A brand named Fruitage candy contains real fruit extract in the product rather than artificial ingredients.
- Knorr soups do not contain aginomoto as an ingredient in its Chinese soup as it causes cancer.
- Kissan tomato ketchup is made up of fresh real tomatoes and no artificial contents. Kissanpur campaign was launched by the company whereby, Seeds were distributed and kids were asked to grow real tomatoes at home. At the end of the campaign, the top 100 tomato growers (children) were featured on Kissan ketchup bottles and their tomatoes went into our Kissan ketchup. The campaign was to make children grow plants (Tomato plants).

# Ensuring safe drinking water

Pureit, a brand of the Unilever Foundation and in partnership with PSI (Population Services International) piloted Waterworks<sup>TM</sup>, a non-for-profit programme that aims to provide safe clean drinking water to communities in need. Pureit is a product which is priced at very low price in water purifier categories so that even low income people can have safe drinking water.

# Helping tackle a global crisis

Nearly 800 million people around the world don't have access to clean drinking water and are affected by water-borne diseases, with the majority of deaths from diarrhea in children under five years. By distributing Pureit water filters and educating local communities on the importance of clean water, Waterworks is helping to solve this global crisis.

The programme will contribute to the Unilever Sustainable Living Plan goal of reaching 500 million people with safe drinking water

# **Enhancing distribution (reaching the remotest area)**

Since last few years, HUL Products has reached the remotest areas of the country through a HUL's distributor and project Shakti, a rural distribution initiative that targets small villages by direct reach to rural and creating employment opportunities for people in rural India.

Through Project Shakti they have 48,000 Shakti entrepreneurs (Shakti ammas) in 15 states. The Shakti ammas cover over 135,000 villages and serve 3.3 million households.

In order to improve the efficacy of Shakti Entrepreneur programme, HUL deployed a low-cost mobile IT solution called Shakti DMS in 2012. Shakti DMS is a mini-ERP package run on an entry level smart phone. And it is now used by 40000 Shakti ammas across the country. The application, available in eight languages, allows Shakti ammas to take and bill orders and manage inventory. The application also has updates on ongoing promotional and discount offers. This application takes into account the poor mobile coverage in rural India as well. It is thus built to work off-line as well. Shakti ammas are simply required to sync with the main server once a day after finishing their work.

# **Project Express: Reaching out to rural India**

Project express was launched to leverage our deep rural reach and further enhance the earning potential of our channel partners including the Shakti ammas

# It developed Community with the leading brands.

Surf Excel fulfilled over 300 wishes of underprivileged kids through a Facebook campaign, Fulfill a Wish.

Taaza activated a mobile campaign designed to give tips to mothers on how they could teach their kids better and it helped the brand post double digit growth in the second half of the year.

#### Contributed to the disaster at Uttarakhand

Hindustan Unilever Limited (HUL) has contributed over Rs. 1 crore to support Uttarakhand flood victims. Along with the monetary support of Rs 60 lakhs it has donated relief material such as soaps, toothpastes, tooth brushes, tea, hair oil, candles, matchsticks, utensils and slippers. The material was distributed to four districts that were affected the most by floods -- Chamoli, Rudraprayag, Uttarkashi and Pithoragarh.

#### **Empowering women**

Fair & Lovely foundation since 2003 has played an integral role in changing lives of many girls by empowering scholarships, which helped them in education and career development.

# **Project sunlight**

Project Sunlight aims to make sustainable living desirable and achievable by inspiring people to look at the possibilities of a world where everyone lives well and within the natural limits of the planet.

#### **CONCLUSION**

It has been concluded from the study that the HUL are considering Corporate Social Responsibility as a Part of their business strategy, they are very serious about the responsibility and maximum of them are considering CSR as an integral part of business philosophy. CSR must go beyond the obvious and extend from visible programs to support social causes to an internal commitment towards ethical behavior reflected in the integral business processes.

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# "AN ANALYSIS OF FOOTSTEPS OF CORPORATE GOVERNANCE IN COMPANIES BILL, 2012"

Ms. Farida J. Patel **Assistant Professor** S.P.B.English Medium College of Commerce, Surat

Dr. Sabita J. Sondhi **Associate Professor** S.P.B.English Medium College of Commerce, Surat

#### **ABSTRACT**

The long-awaited Companies Bill,2012 got its assent in the Lok Sabha on 18thDecember, 2012 and in the Rajya Sabha on 8thAugust, 2013. After having obtained the assent of the President of India on 29thAugust, 2013, it has now become the much awaited Companies Act, 2013 (2013 Act). The New Bill is a progressive and forward looking which promises improved corporate governance norms, enhanced disclosures and transparency, increased accountability of company managements and auditors, protection of interest of investors particularly small and minority investors, better shareholder democracy, facilitation of corporate social responsibility (CSR) and stricter enforcement processes. In this paper we studies the significant changes proposed by the Companies Bill,2012 as compared to the 1956 Act and analysis the compliance level of BSE SENSEX30 companies and NSE NIFTY 50 companies vis-a-vis those changed provisions. The study is based on secondary source of data which were collected from company's annual report giving a separate chapter on corporate governance. The findings of the study are analysed using a content analysis.

Keywords: Corporate Governance, Companies Bill, 2012, Board Independence, Remuneration and Nomination Committees, Women directors, Auditors Tenure, Independent director and Nominee directors

#### **INTRODUCTION**

The Companies Act, 1956 Act has been in need of a substantial overhaul for quite some time, to make it more contemporary and relevant to corporate, regulators and other stakeholders in India. While several unsuccessful attempts have been made in the past to revise the existing 1956 Act, there have been quite a few changes in the administrative portion of the 1956 Act. The most recent attempt to revise the 1956 Act was the Companies Bill, 2009 which was introduced in the Lok Sabha, one of the two Houses of Parliament of India, on 3rd August, 2009. This Companies Bill, 2009 was referred to the Parliamentary Standing Committee on Finance, which submitted its report on 31 August 2010 and was withdrawn afterthe introduction of the Companies Bill, 2011. The Companies Bill, 2011 was also considered by the Parliamentary Standing Committee on Finance which submitted its report on 26thJune, 2012. Subsequently, the Bill was considered and approved by the Lok Sabha on 18th December, 2012 as the Companies Bill, 2012 (the Bill). The

Bill was then considered and approved by the Rajya Sabha on 8th August, 2013. It received the President's assent on 29th August, 2013 and has now become the Companies Act, 2013. The changes in the 2013 Act have far-reaching implications that are set to significantly change the manner in which corporates operate in India. The Bill has been designed to consist of 29 chapters, containing 470 clauses and 7 schedules.

#### The New Bill:

- Endeavors to aim at modernization and is a step towards globalisation
- Redundant provisions deleted
- Related provisions regrouped for easier interpretation
- Paves the way for greater flexibility for rule making
- Provides scope of enhanced corporate governance standards
- Introduces few industry friendly provisions
- Promises investor democracy

The new Bill certainly promises new and improved regulatory environment for better corporate governance but at the same time Companies management need to initiate preparing themselves for accommodating to the changes. In this paper, we have compared the existing provisions under the companies Act, 1956 with the new provisions of the Billto assess the major amendments relating to corporate governance for BSE SENSEX 30 companies and NSE NIFTY 50 companies and analysed the compliance level of BSE SENSEX30 companies and NSE NIFTY 50 companies vis-a-vis those changed provisions.

### RESEARCH OBJECTIVE/PURPOSE

The purpose of the study is to assess the compliance level of BSE SENSEX 30 companies and NSE NIFTY 50 companies with regard to newly amended provisions with regard to corporate governance mechanism.

#### RESEARCH METHODODLOGY

The study is based on secondary source of data which were collected from company's annual report giving a separate chapter on corporate governance. An in depth analysis of corporate governance disclosure practices have been done from Annual reports of each company, their regulatory filling and Quarterly reports to find out the compliance level of all listed companies.

#### DATA INTREPRETATION AND FINDINGS

#### 4.1 BOARD COMPOSITION

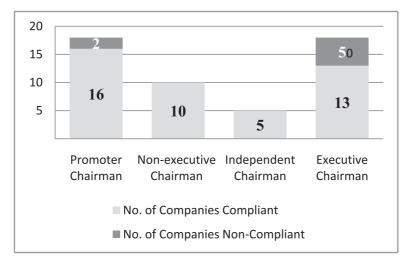
SEBI's Clause 49 of thelisting agreement requires that all companies should have at least 33% independent directors on the Board. Further, Boards with promoter Chairman or an executive Chairman should have at least 50% independent directors on the Board. However, the Companies Bill states that all companies should have at least 33% independent directors on the Board. However, the definition of independence in the listing agreement is not as stringent as the definition in the New Companies Bill.

# **Provisions:**

I	UNDER THE EXISTINGLISTING AGREEMENT	NEW BILL	OBSERVATIO NS
COMPOSITION  I  ( I  i  c  i  f	As per CLAUSE 49(IA) ii -  If Chairman of the Board is a Non-Executive Director (NED), at least 1/3rd of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.	As per Clause 149(5), Companies Bill, 2012 –  Every listed public company shall have at least onethird of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.	The bill address two question:  - Who is an independent director?  - How long can one hold the position of independent director?

# **Data Analysis:**

This section analysis compliance level based on existing rules and change in composition of Board, if the BoardIndependence is assessed based on regulation s included in Companies Bill, 2012



# Fig.1Compliance of Companies with the existing rules

Based on the existing regulatory guidelines, seven (7)Indian listed companies on BSE Sensex and NSE Nifty have lesser number of independent directors than the number required under the independence clause49 of the listing agreement. i.e. (14% of the companies) should be considered to be non-compliant with the listing agreement.

Source: Results computed from Annual Reports 2012-2013

# Compliance of Companies with the Companies Bill, 2012

All the listed companies and prescribed class of public companies are required to comply with new provision as discussed above within 1 year:

- From the commencement of 2013 Act by existing listed companies; and
- From the date Rules are notified for the prescribed class of public companies.

The Company Bill states that Independent Director (ID) will be permitted a maximum of two terms of five years each. He can be appointed once again by the company after a cooling period of three years. However, during that period, an independent director should not have any relationship with the company. In short ID cannot hold for continuous tenure higher than 10 years. Further, new bill considers nominee directors to be non-independent. Applying these new regulations to evaluate the independence of the Board paints a completely different picture.

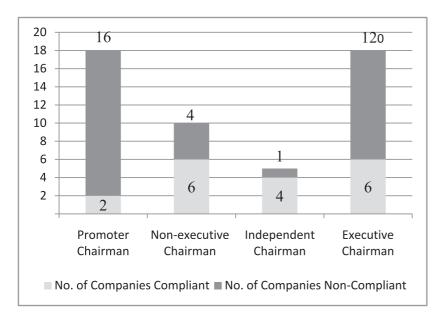


Fig.2 Compliance of Companies with the Companies Bill, 2012

Under the new regulations to come, 33 of the 51 companies (65%) of BSE Sensex and NSE Nifty would be Non- compliant with the independence requirements. 12 of the 18 companies (67%) with an executive Chairman would be non-compliant with the new regulations while 16 of the 18 companies (88%) Source: Results computed from Annual Reports 2012-2013 with promoter Chairman would be non-compliant.

#### 4.2. WOMEN DIRECTORS ON BOARDS

# **Provisions:**

WOMEN DIRECTORS ON BOARDS  As per the present regulatory framework, there is no requirement for companies to have women directors on Board.  Clause 149 (1), Companies Bill, 2012of the proposed Bill proposes prescribed class of companies to have at least one woman director on the Board. The section reads as under:  Clause 149 (1)Every company shall have a Board of Directors consisting of individuals as directors and shall have—	PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
(a) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and (b) a maximum of fifteen directors: provided that a company may appoint more than fifteen directors after passing a special resolution, provided further that such <u>class or classes of companies as may be prescribed shall have at least one woman director.</u>	DIRECTORS	framework, there is no requirement for companies to have women directors on	companies to have at least one woman director on the Board The section reads as under:  Clause 149 (1)Every company shall have a Board of Directors consisting of individuals as directors and shall have—  (a) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and (b) a maximum of fifteen directors: provided that a company may appoint more than fifteen directors after passing a special resolution, provided further that such <u>class or classes of companies as may be prescribed shall have</u>

# **Data Analysis:**

Till date it has not been prescribed which class or classes of the company will be required to appoint at least one woman director. In absence of the same, we carry out the analysis assuming that all listed companies would be required to comply with this requirement. As per the results of the analysis, out of 51 companies, only 27companies have at least one woman director, and are, therefore, compliant with the proposed law.

However, if we analyze the compliance of Board composition with both the independence requirement and the requirement to have at least one women director, only 11 out of the 51 i.e. (22%) companies would meet these criteria. Further, 16 companies (32%) would be noncompliant with both the criteria.

Table 1 Compliance by listed companies with the provision relating to Board Independence and Women on Board requirements

NUMBER OF COMPANIES	COMPLIANCE WITH INDEPENDENCE CRITERION	COMPLIANCE WITH WOMEN DIRECTOR CRITERION
11	Yes	Yes
08	Yes	No
16	No	Yes
16	No	No

#### 4.3 BOARD MEMBERSHIP

The proposed Billhas highlighted the time commitments of directors through their attendance records and number of board memberships held by them.

# **Provisions:**

PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
BOARD MEMEBRSHIPS	As per CLAUSE 275, Companies Act, 1956  After the commencement of this Act, no person shall, save as otherwise provided in section 276, hold office at the same time as director in more than fifteen companies	As per Clause 165, Companies Bill,2012  No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than twenty companies at the same time provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten. For reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

Under the existing regulations in calculating, the number of companies of which a person may be a director, the following companies shall be excluded, namely: (1) A private company which is neither a subsidiary nor a holding company of a public company, (2) An unlimited company, (3) An association not carrying on business for profit or which prohibits the payment of a dividend, and (4) A company in which such person is only an alternate director. — Clause 278, Companies act, 1956. Whereas under new bill for reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

# **Data Analysis:**

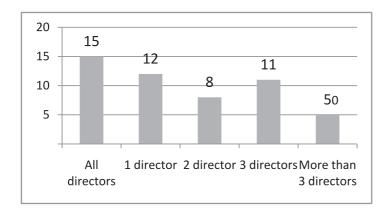


Fig. 3 Excessive directorship compared to regulations under Company Bill, 2012

This section analysis the board memberships of the sample companies of find out how many directors have excessive directorships (based on the limits set by the Companies Bill, 2012). Only 15 companies out of total 51 companies i.e. (30%) have no directors with more than 10 directorships in public companies while on the other handotal of 1 6 companies had three or more than three directors with more than 10 directorships in public companies.

# 4.4 DIRECTORS'ATTENDANCE IN BOARD MEETINGS

# **Provisions:**

PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
DIRECTORS' ATTENDANCE	Under the existing regulatory framework, there is no provision compelling directors to attend Board meetings.	As per Companies Bill,2012 - <u>Schedule IV</u> - <u>Code for Independent Directors</u> of the proposed Companies Bill, 2012 lays down under the duties of independent directors that independent director shall strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member. <i>Continued</i>
PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
		Further <u>section 167</u> of the proposed bill proposes that the office of the director shall become vacant in case he absents himself from all the meetings of the Board of Directors heldduring a period of twelve months with or without seeking leave of absence of theBoard.

# **Data Analysis**

On analysing the directors' attendance in the board meetings of the listed companies based on new regulations, 8 directors in total of 51 companies have not attended any board meeting in the 2012-2012. Hence if the proposed bill comes into force these directors might be forced to vacate the office of director.

#### 4.5 BOARD COMMITTEES:

**Remuneration Committee:** Presently, formation of Remuneration Committee in a listed company is a non mandatory requirement of the revised clause 49 of the listing agreement. However establishing an independent Remuneration Committee improves the transparency and objectivity of the Remuneration process.

**Nomination** Committee: Nomination Committee plays a vital role in evaluation and appointment of qualified Board members. It increases the sovereignty of the director appointment process and thereby increases the independence and objectivity of the Board members.

# **Provisions:**

PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
REMUNERATION AND NOMINATION COMMITTEE:	As per Clause 49 (ID) of the listing agreement -	As per Clause 178 of the Companies Bill,2012–
	'The Board may set up a Remuneration Committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment. The Committee may comprise of at least three directors, all of whom should be non executive directors, the Chairman of Committee being an independent director."	The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and RemunerationCommittee consisting of three or more non executive directors out of which not less than one-half shall be independent directors.

As per Clause 1.C.2, Corporate Governance Voluntary Guidelines, MCA -

Companies should have Remuneration Committee of the Board. This Committee should comprise of at least three members. majority of whom should be non executive directors with at least one being an Independent Director.

The committee shall have to follow the below mentioned duties and role:

- 1. Identify persons who are qualified to become directors and who may be appointed in seniormanagement in accordancewith the criteria laid down, recommend to the Board their appointment and removal and shallcarry out evaluation of every director's performance.
- 2. Recommend to the Board of directors, a policy, relating to the remuneration for the directors, key managerial personnel (KMP) and other employees keeping in mind appropriate performance benchmark, striking balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals etc.
- 3. Formulate the criteria for determining qualifications, positive attributes and independence of a director
- 4. Ensure the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.

#### **Data Analysis:**

Out of a sample of 51 Indian listed companies, 48 companies have instituted Remuneration Committee. Thisreveals that most of the Indian listed companies consider Remuneration Committee to bevery important driver under the corporate governance practices. On the other hand only 26 of the 51 listed companies have constituted Nomination Committee, which reveals that the importance of Nomination Committee has still not been recognized in Indian listed companies.

# 4.6 AUDITORS' TENURE:

The role of independent auditor is vital cog in governing the company affairs and discharging its duties towards the shareholders. Therefore the new bill has made stringent provisions with regards to the rotation of the individual auditors and audit firms.

# **Provisions**

PARTICULARS	UNDER THE EXISTING REGULATIONS	NEW BILL
Tenure of Auditors:	As per Clause 4.C, Corporate Governance Voluntary Guidelines, MCA  In order to maintain independence of auditors with a view to look at an issue (financial or nonfinancial) from a different perspective and to carry out the audit exercise with a fresh outlook, the company	The Bill provides for compulsory rotation of individual auditors and of audit firm. Nolisted company or a company belonging to such class or classes of companies as may be prescribed, shall appoint or re-appoint —  (1) An individual as auditor for more than one term of five consecutive years; and
	may adopt a policy of rotation of auditors which may be as under:	(2) A naudit firm as auditor for more than two terms of five consecutive years. [Clause 139(2)]
	<ol> <li>Audit partner - to be rotated once every three years and</li> <li>Audit firm to be rotated once every five years</li> </ol>	The Bill provides a cooling period of 5 years before the next appointment. The bill also provides a period of three year to comply with these provisions.

# **Data Analysis:**

On analysing the tenures of audit firms and audit partners, it reveals that auditor's tenure was longer than 10 years at 21 companies out of sample of 51 listed companies.

#### **RESEARCH LIMITATIONS:**

1. The study is conducted depending upon the secondary sources of information. i.e. Corporate Governance Reports of the companies which is given as a separate section of Annual Reports, their regulatory filling and Quarterly reports to find out the compliance level of all listed companies.

- 2. The information available in annual reports was considered as if companies have implemented the same.
- 3. In case where the data was not available in the question of compliance of a certain code by certain company it was taken as non compliance in respect of that code by that company.
- 4. The study is limited to only 51 companies listed on BSE Sensex and NSE Nifty.

# **CONCLUSION**

The Company Bill, 2012 has many provisions which will have significant impact on the manner in which the companies are formed, managed, owned and regulated in India. The Bill has several unique features aimed at protection of minority shareholders and for corporate governance. It also introduces new concepts such as Key Managerial person (KMP), Corporate Social Responsibility (CSR), mandatory secretarial audit by listed companies, rotation of auditors, woman director, amalgamation of an Indian company with a foreign company, etc. The changes in the 2013 Act have far-reaching implications that are set to significantly change the manner in which corporate operate in India.

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# "COMPARATIVE ANALYSIS OF CORPORATE GOVERNANCE PRACTICE AMONG HDFC BANK AND ICICI BANK"

# Dr. Shital P. Vekariya

Faculty member of Dept. of Accounting & Finance management, Faculty of Commerce, M.S.University, Baroda.

Department : Management Email : <u>dr.shital99@gmail.com</u> , <u>shital 99@yahoo.in</u>

#### **ABSTRACT**

Corporate Governance involves a set of relationships between a company's management, its Board, its shareholders and other stakeholders. Corporate governance provides a principled process and structure through which the objectives of the company, the means of attaining the objectives and systems of monitoring performance are also set. Corporate governance is a set of accepted principles by management of the inalienable rights of the shareholders as a true owner of the corporation and of their own rule as trustees on behalf of the shareholders. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. For the purpose of research, researcher has selected 2banks and last three years data as sample. For the purpose of analysis, researchers have used charts and tables.

**Key Words:** Corporate Governance, HDFC bank, ICICI bank

Private and public sector corporate governance issues nave received considerable attention in recent years, increasing public scrutiny, the collapse of a number of high profile private sector companies, and the personal liability of Board members and CEOs for breaches in corporate governance have provided impetus for the development and implementation of greater accountability measures. Although it is generally accepted that there is no one model of corporate governance, more recent work has identified the principles and elements of good corporate governance. A number of these principles are providing guidance as to what might constitute "best practice' in this field. They include:

- active participation in the governance process by stakeholders;
- equitable treatment of all stakeholders; and
- transparency and disclosure of all decision-making processes;
- clear accountability and responsibility mechanisms.
- effective leadership, vision and strategic direction;

Executives can be held personally liable for breaches in corporate governance. Employees may not be protected in their work and may be less likely to participate in creative risk-taking activities. Clients and external stakeholders may be less accepting of decision-making processes

used and decisions made on that basis. They may also be less willing to engage with the organization. Effective corporate governance has long been viewed as essential for healthy capital markets Careless and corrupt governance practices, however, have thrust the governance debate from the shadows to the forefront and corporate governance can now be recognized as a standalone risk factor.

#### PRINCIPLES OF CORPORATE GOVERNANCE:

# **♦** Trusteeship

Trusteeship recognizes that large corporations, which represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees, have both an economic and a social purpose thereby casting the respon sibility on the Board of Directors to protect and enhance shareholder value, as well as fulfill obligations to other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

# **♦** Transparency

Transparency means explaining the Company's policies and actions to those to whom it has responsibilities. Externally, this means maximum appropriate disclosures without jeopardizing the Company's strategic interests and internally, this mean openness in the Company's relationship with its employees and in the conduct of its business.

# **♦** Empowerment and Accountability

Empowerment is a process of unleashing creativity and innovation throughout the organization by truly vesting decision-making powers at the most appropriate levels and as close to the scene of action as feasible, thereby enabling actualization of the potential of its employees. Empowerment is an essential and first core principle of governance that management must have the freedom to drive the enterprise forward. Empowerment combined with accountability provides an impetus to performance and improves effectiveness, thereby enhancing shareholder value.

#### **♦** Control

Control ensures that freedom of management is exercised within a framework of checks and balances and is designed to prevent misuse of power facilitate timely management of change and ensure effective management of risks. Control is a necessary concomitant of its second core principle of Governance that the freedom of management should be exercised within a framework of appropriate checks and balances.

# ♦ Ethical corporate citizenship

Ethical Corporate Citizenship means setting exemplary standards of ethical behavior both internally within the organization, as well as in external relationships. ITC believes that unethical behavior corrupts organizational culture and undermines stakeholder value.

#### **NEED FOR CORPORATE GOVERNANCES IN BANKS:**

- 1. Since banks are important players in the Indian financial system, special focus on the Corporate Governance in the banking sector becomes critical.
- 2. The Reserve Bank of India, as a regulator, has the responsibility on the nature of Corporate Governance in the banking sector.
- 3. To the extent that banks have systemic implications, Corporate Governance in the banks is of critical importance.
- 4. Given the dominance of public ownership in the banking system in India, corporate practices in the banking sector would also set the standards for Corporate Governance in the private sector.

#### REVIEW OF LITERATURE

Wei'an Li, Yekun Xu, Jianbo Niu, Aichao Qiul (2012) aimed to review some domestic studies with an intention to discover the evolution logic of corporate governance practices in China under a complicated and exclusive context and to provide future research directions. This paper surveyed recent literature in the field of corporate governance, intending to find out the development trends and extract the main line of literature on and practices of Chinese corporate governance. The author found that recent literature on corporate governance provides some new insights into subtle characteristics of governance, governance effects of relational network, political connections, corporate governance evaluation and financial institutions governance. Themistokles Lazarides, Evaggelos Drimpetas 2(2011) aimed to establish a benchmark for the evaluation of the quality of corporate governance (CG) and to detect the factors that affect it in Greece. The author constructed an index of corporate governance quality using binary variables. Data from annual reports were used to identify the mechanisms and practices of corporate governance. The author used an ordinal probate model to identify the drivers of corporate governance. The author found that CG quality in Greece is quite low, in terms of international best practices. The main drivers of CG quality are firm size, leadership or power concentration and board characteristics Zororo Muranda 6(2006) intended to investigate the relationship between corporate governance failures and financial distress in Zimbabwe's banking sector. The study used the case study method. It discussed cases of banks currently in financial distress. The study showed that financial institutions in Zimbabwe underestimated the competitive forces that resulted from first, economic deregulation and later economic decline coupled with political meltdown. In order to survive, banking institutions significantly shifted from their core business.

#### **METHODOLOGY OF THE STUDY:**

# **Objective of the study:**

- 1. To study the concept of corporate governance in Indian banking sector (Private Banks).
- 2. To identify the role of corporate governance in Indian Banking sector.
- 3. To find out the guidelines issued by SEBI in the context of corporate governance.

#### **Sources of the data:**

"Comparative analysis of corporate governance practice among HDFC bank and ICICI bank" has been made by using data from financial statements of the two major players in Private banking sectors; they are HDFC bank and ICICI bank. The period of the study wasthree years from 2010-2011 to 2012-2013. The data was collected from money control database and from the annual reports of respective companies.

# **Empirical Analysis:**

# I. To study the concept of corporate governance in Indian banking sector (Private Banks)

Private sector banks have entered niche areas, listed their scrip and being market driven they have been more transparent in their functioning. They have also been more tech savvy, growth oriented and having less of NPAs. Private sector banks has to conform with standard of good banking practices such as

- Ensuring a fair and transparent relationship between the customer and bank
- Instituting comprehensive risk management system and its adequate disclosure
- Proactively handling the customer complaints and evolving scheme of redressal for grievances.
- Building systems and processes to ensure compliance with the statutes concerning banking. Both the banks that's HDFC bank and ICICI bank following the concept of corporate governance in building process and solving the customers complaints.

#### II. To identify the role of corporate governance in Indian Banking sector

Since the market control is not sufficient to ensure proper governance in banks, the government does see reason in regulating and controlling the nature of activities, the structure of bonds, the ownership pattern, capital adequacy norms, liquidity ratios, etc. Further, the involvement of government is discernibly higher in banks due to importance of stability of financial system and the larger interests of the public. Banks have therefore been asked to publish the minimum and maximum interest rates charged by them and display this information in every branch. Disclosure and transparency are thus key pillars of a corporate governance framework because they provide all the stakeholders with the information necessary to judge whether their interests are being taken care of. The commercial banks in India are now required to disclose accounting ratios relating to operating profit, return on assets, business per employee, NPAs, etc. as also maturity profile of loans, advances, investments, borrowings and deposits. At the initiative of the

RBI, a consultative group, aimed at strengthening corporate governance in banks, headed by Dr. Ashok Ganguli was set up to review the supervisory role of Board of banks. The recommendations include the role and responsibility of independent non executive directors, qualification and other eligibility criteria for appointment of non-executive directors, training the directors and keeping them current with the latest developments.

#### III. Mandatory Recommendations of the SEBI's Committee on Corporate Governance

The Securities and Exchange Board of India (SEBI) had constituted a Committee on Corporate Governance and circulated the recommendations to all stock exchanges for implementation by listed entities as part of the listing agreement vide SEBI's circular SMDRP/Policy/CIR-10/2000 dated February 21, 2000. A summary of the mandatory recommendations of the SEBI Committee as applicable to banks is furnished as follows:

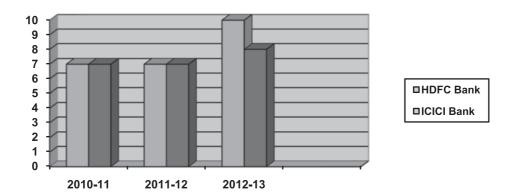
I. The Committee recommends that a qualified and independent audit committee should be set up by the board of a company.

The first mandatory condition has been fulfilled by both the banks thatmean they have their own independent audit committee having one chairperson and other committee members.

The Committee recommends that the audit committee should meet at least thrice a II. year. One meeting must be held before finalization of annual accounts and one necessarily every six months.

HDFC bank and ICICI bank should meet audit committee as follows.

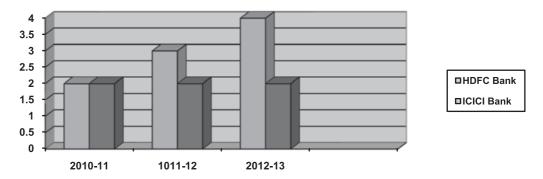
HDFC Bank		ICICI Bank			
2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
(no. of tim	`	(no. of times in a year)			
7 times	7 times	10 times	7 times	7 times	8 times



Compared to above graph it can be easily seen that both the banks are meeting the condition of holding audit committee more than three times in a year but HDFC bank is more accurate and efficient about arranging audit committee in 2012-13 compared to ICICI bank.

#### III. The quorum should be either two members or one-third of the members of the audit committee, whichever is higher and there should be a minimum of two independent directors.

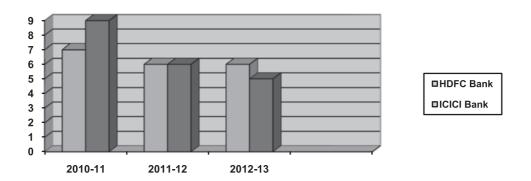
HDFC Bank (No. of members of the audit committee)		ICICI Bank (No. of members of the audit committee)			
2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
2 members (out of 7members)	3 members (out of 5 members)	4 members (out of 5 members)	2 members (out of 4 members)	2 members (out of 4 members)	2 members (out of 4 members)



From the above schedule it can be seen that both the banks are following the condition of minimum two members out of total members as quorum of audit committee. It can be clearly shown from the graph that there are 4 members out of 5 members hasattended all the audit meeting held during the year 2012 13 of HDFC bank compared to ICICI bank since last three years.

#### IV. The Committee therefore recommends that board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings. The minimum information should be available to the board.

HDFC Bank			ICICI Bank		
2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
(no. of times	(no. of times	(no. of times	(no. of times in	(no. of times	(no. of times
in a year)	in a year)	in a year)	a year)	in a year)	in a year)
7 times	6 times	6 times	9 times	6 times	5 times



From the above table it can be seen clearly that HDFC Bank is arranging the board meeting regularly since last three years as compared to ICICI Bank, which highly fluctuating in arranging board meetings.

V. The committee recommends that a director should not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director.

The above condition has been fulfilled by both the banks.

VI. The Committee recommends that information like quarterly results, presentation made by companies to analysts may be put on company's website or may be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own website. Following particulars are available for both the banks.

Particulars	HDFC Bank	ICICI Bank	
Name of Web Site of the Bank	www.hdfcbank.com	www.icicibank.com	
Name of the Stock Exchange	• Bombay Stock Exchange Limited	Bombay Stock Exchange Limited	
	• The National Stock Exchange of India Ltd.	• The National Stock Exchange of India Ltd.	

VII. The Committee recommends that there should be a separate section on Corporate Governance in the annual reports of companies, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory recommendation with reasons thereof andthe extent to which the non mandatory recommendations have been adopted should be specifically highlighted. This will enable the shareholders and the securities market to assess for themselves the standards of corporate governance followed by a company.

Both the banks are having separate section of corporate governance in their annual reports with a detailed compliance report on corporate governance. At the same times both banks have highlighted the non-mandatory recommendation in the reports which will help the shareholder as well as outsiders to assess the bank's details.

#### **FINDINGS:**

From the above, following findings has been derived.

- 1. Both the banks following the guidelines issued by SEBI in context of corporate governance.
- 2. Both the banks have clearly identified the role of corporate governance.
- 3. Compared to ICICI bank, HDFC bank isclearer in fulfilling the mandatory recommendation given by SEBI.

#### **CONCLUSION:**

In competitive business environment, organizations that adopt good corporate governance and best practices will be able to survive and attain sustainable growth levels. A Corporate Governance Policy shall serve as an effective instrument for achieving the goal of autonomy. The success of corporate governance rests on the awareness on the part of the banks of their own responsibilities. While law can control and regularize certain practices, the ultimate responsibility of being ethical and moral remains with the banks. It is this enlightenment that would bring banks closure to their goals. The success of corporate governance lies in minimizing the regulatory norms and adoption of voluntary codes.

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# A PRACTICAL APPROACH OF BUSINESS ETHICS AND CORPORATE GOVERNANCE IN ASIAN COUNTRIES

## **Prof. Gaurang Magdani**

Assistant Professor, Shri Sunshine Group of Institution Faculty of Management Rajkot-360005

Contact No. : - 9428497570 E-mail ID : - magdanigaurang@yahoo.com

#### **ABSTRACT**

Ethics is termed as "the branch of knowledge that deals with moral principles." It also means the correct knowledge of practical wisdom. Ethical theories may be put into two categories i.e. teleological and deontological. Ethical practices can be followed in various disciplines of the business i.e. HRM, Marketing, Production etc...

Corporate governance refers to the set of systems, principles and processes by which a company is governed. The Cadbury report defines corporate governance as the system by which companies are directed and controlled. The focus was largely on accountability. The main objective behind the corporate governance is to protect long-term shareholder value along with the other stakeholders. Corporate governance implies a connection between business and ethics; that is among the management, governance and control system of an organization. Business ethics can be understood as governance structure by which firms control, protect and develop the integrity in their operations. The elements of governance ethics are the moral resources and behavioral constraint and extensions deriving from organizational rules and values as well as their communication in and via co-operation.

In 1997, the East Asian Financial Crisis saw the economies of South Korea, Thailand, Malaysia, Indonesia and Philippines greatly affected by the exit of foreign capital after property assets collapsed. The lack of proper governance mechanism in these countries revealed the weaknesses of the institutions in their economy. After East Asia economy collapse in late 20<sup>th</sup> century, World Bank president warned those countries, that for sustainable development, corporate governance is must to be good. The accounting and auditing practices adopted by the corporate sector of Asian Countries are almost similar. They have also policy to follow accounting standards in line with international norms. But as far as framework and enforcement of rules and regulations are concerned, there are discrepancies in Asian Countries.

**KeyWords-** Business Ethics, Corporate Governance, Asian Countries

#### INTRODUCTION

Corporate governance implies a connection between business and ethics; that is among the management, governance and control system of an organization. Business ethics can be understood as governance structure by which firms control, protect and develop the integrity in their operations.

Business ethics has to submit constitutively to the form of a 'firm' as a governance structure. It can systematically be developed as governance ethics only under conditions where individual virtues can and must have their effect. Ethics tends to be something that passes through our organization's total culture.

The management should develop a business firm as a co-operative project. One must understand business ethics via the values of 'inspiration to co-operate' and 'capability to co operate' as the immanent problematic of the form of a co-operation project. The element of governance ethics are the moral resources and behavioral constraint and extensions deriving from organizational rules and values as well as their communication in and via co-operation. Governance structures are sets or matrices of communicated formal and informal rules and values that constitutes the co-operative player as constraints, and furnish him or her with explicit and implicit rules of the game for contractual and organizational relations for the realization of specific transactions.

Good governance is not simply a matter of structures and procedures. It depends on the ethics of the people overseeing and running the enterprise. On having a fundamental sense of what is right and what is wrong, a belief in their honesty for its own sake and a sense of personal responsibility.

#### **BUSINESS ETHICS**

The dictionary meaning of ethics is 'Science of moral values.' It also means the correct knowledge of practical wisdom. R. W. Austin suggested a simple positive code of conduct for business management which include: the professional manager affirms that he will place the interest of his company before his own private interests; he will place his duty to society above his duty to his company and above his private interests; he has a duty to reveal the facts in any situation where his private interest are involved with those of his company or where the interests of his company are involved with those of society; he must subscribe whole heartedly to the belief that when business managers follow this code of conduct, the profit motive is the best incentive is the of all for the development of a dynamic economy (Rao & Narayan, 1987).

#### **Ethical Theories:**

Ethical theories may be put into the following two categories:

#### **Teleological:** (A)

Teleological theories determine the ethics of an act by looking to the probable outcome or consequences of the decision.

Jermey Bentham and John Stuart Mill were the chief intellectual forces in the development of utilitarianism. The most basic form of utilitarian analysis is cost-benefit analysis.

John Rawls distributive justice holds that ethical act or decisions are those that lead to an equitable distribution of goods and services.

To a utilitarian, the choice that yields the greatest benefit to the most people is the choice that is ethically correct. One benefit of this ethical theory is that the utilitarian can compare similar predicted solutions and use a point system to determine which choice is more beneficial for more people. This point system provides a logical and rationale argument for each decision and allows a person to use it on a case-by-case context.

The Praxis model in the corporate context denotes a set of administrators who seek support from the society they live in and the populace around them.

## (B) Deontological:

The deontological theory states that people should adhere to their obligations and duties when analyzing an ethical dilemma. This means that a person will follow his or her obligations to another individual or society because upholding one's duty is what is considered ethically correct.

Deontology provides a basis for special duties and obligations to specific people, such as those within one's family. For example, an older brother may have an obligation to protect his little sister when they cross a busy road together. This theory also praises those deontologists who exceed their duties and obligations, which is called "supererogation"

#### ETHICS IN VARIOUS BUSINESS DISCIPLINES

Ethical practices can be followed in various disciplines of the business as discussed below:

## (A) Ethics and HRM:

The HR function has gradually shifted its focus from a narrow maintenance reactive role to a much wider canvas, integrating HR strategy with corporate strategy empowering employees, restructuring the organization and so on (Monappa, 1997).

Following points may be considered under this discipline:

- (a) Salary, promotion, working conditions, workload, welfare activities, support from the supervisors, appreciation of work, motivation, job satisfaction etc.
- (b) Downsizing.
- (c) Discrimination on the ground of race and religion.
- (d) Sexual Harassment.
- (e) Human Rights and Labor Laws.

## (B) Ethics in Marketing:

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. According to common perception, it seems almost antithetical to include the terms marketing and ethics in the same sentence. Following points may be considered in this discipline:

- (a) Unfair claims.
- (b) Marketing to minors (tobacco products etc.).
- (c) Unnecessary use of women models (for men's products).
- (d) Data privacy.

## (C) Ethics in Finance and Accounting:

Fundamentally, finance is a social science discipline. Most of the unethical behavior involved some aspect of finance from manipulating special purpose entities to show growth, to cooking books, to instituting questionable tax dogges, to allowing investment decisions to color the objectivity of investment research and advice.

The Enron case "has weaked more havoc on the accounting industry than any other case in US history". (William Thomas, April-2002).

It brought into focus the necessity of the independence of auditors and the responsibilities of accountants like never before.

Following points may be considered under this discipline:

- Raising of funds by the promoters. (a)
- Role of accountants and auditors. (b)
- Reporting of financial statements. (c)
- Conflicts of interest in the financial market. (d)

## (D) Ethical implications of technology:

Ethics in technology is a subfield of ethics addressing the ethical questions specific to the Technology Age. Some prominent works of philosopher Hans Jonas are devoted to ethics of technology. It is often held that technology itself is incapable of possessing moral or ethical qualities, since "technology" is merely tool making. But many now believe that each piece of technology is endowed with and radiating ethical commitments all the time, given to it by those that made it, and those that decided how it must be made and used.

As per world Employment Report, issued by International Labor Office, more and more, boundaries are dissolving between leisure and working time, the place of work and place of residence, learning and working.....Wherever categories such as working time, working location, performance at work and jobs become blurred, the result is the deterioration of the foundations of our edifice of agreements, norms, rules, laws, organizational forms, structures and institutions, all of which have a stronger influence on our behavioral patterns and systems of values than we are aware.

Following points may be considered under this discipline:

- Monitoring technology usage.
- (b) Maintaining a virtual workplace.
- Managing privacy interest. (c)
- Managing liability issues. (d)

## **CORPORATE GOVERNANCE:**

Corporate governance refers to the system by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation and specifies the rules and procedures for making decisions in corporate affairs. The first committee on corporate governance was set up in U.K. om1991 under the chairmanship of Sir Adrin Cadbury. The committee had submitted its report in December, 1992. In U.S.A., corporate governance code was given by Jenkins report in 1994.

The term 'governance' has been derived from the word 'gubernare', which means 'to rule or steer'.

According to OECD, "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, share holders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance".

The Cadbury Report defines corporate governance as the system by which companies are directed and controlled. The focus was largely on accountability. The Kumarmangalam Birla Committee acknowledges that the fundamental objectives of corporate governance are, "the enhancement of the long term shareholder value while at the same time protecting the interests of other stakeholders".

The main objective behind the corporate governance is to protect long-term shareholder value along with the other stakeholders. It is the foundation to build market confidence and encouraging stable and long-term foreign investment flows. Corporate world must have a sound framework for their operation to achieve their objectives and creating wealth for the welfare the society as a whole. Corporate governance is a wide term, it covers a wide range of activities that relate to the way business organization is directed and governed. It deals with the policies and practices that directly impact on the organization's performance, stewardship and its capacity to be accountable to its various stakeholders.

There are four important models of corporate governance. These are: 1) The Anglo American Model 2) The German Model 3) The Japanese Model and 4) The Indian perspective.

Corporate governance should be PREEMPTIVE. These are ten steps action plan for better corporate governance. Where P= Participation, R= Responsibility, E= Equity, E= Ethics, M= Maximize corporate values, P= performance, T= Transparency, I= Independency of Board, V= Variety, E= Education and Training.

## **Corporate Governance in India:**

In comparison to the other developing countries in Asia, the quality of Indian corporate governance system is above average. However, India's disclosure laws are stronger than the other developing nations' and even some developed European nations'. The base of Indian corporate governance is British model and is considered one of the good models, but its enforcement of security law is poor. Using Singapore as a base line, India ranks fourth in the consulting group in CLSA's (Credit Lyonnais Securities Asia) corporate governance index.

According to the Panjwani Report (August, 2005), 'the Country Corporate Governance Score for India for 2004 is 6.2 standing third in the region after Singapore and Hong Kong. SEBI continues to raise the bar for good corporate governance. It is a matter of pride that some Indian companies, like Infosys Technologies and Hughes Software Systems, stand out for being much faster at quarterly reporting. But when it has come to consolidated Annual Reports, Indiarfirms reporting has been far behind with compare to Australia and Singapore.

## **Business Ethics and Corporate Governance Practices in Asian Countries:**

In 1997, the East Asian Financial crisis saw the economies of South Korea, Thailand, Malaysia, Indonesia and Philippines greatly affected by the exit of foreign capital after property assets collapsed. The lack of proper corporate governance mechanism in these countries revealed the weaknesses of the institutions in their economies.

After East Asia economy collapse in late 20th century, World Bank president warned those countries, that for sustainable development, corporate governance is must to be good.

TABLE NO. 1 RULES AND REGULATIONS OF CORPORATE **GOVERNANCE IN ASIAN COUNTRIES:** 

Name Of The Country	Reporting Of Annual Results Within two months	Reporting Deadlines Shortened	Quart- erly Report Mand- atory	Class Action Law Suits Permi- tted	Voting By poll manda- tory	Disclosure Of owner- Ship state Above 5%	Disclosure By directors And Controlling share-holders	Removal Of Directors By Share- holders	Share Option Expens- ing Mandat ory-
China	N	N	S	S	N	Y	Y	S	N
Hong- Kong	N	N	N	N	S	Y	Y	S	Y
India	N	Y	Y	N	N	Y	Y	N	S
Indonesia	Y	Y	Y	N	N	S	N	S	S
Korea	N	N	Y	Y	N	Y	Y	N	N
Malaysia	Y	N	Y	N	N	Y	Y	S	N
Philippines	N	N	Y	N	N	N	Y	S	Y
Singapore	Y	Y	Y	N	N	Y	Y	Y	Y
Taiwan	N	N	S	S	S	N	S	Y	S
Thailand	Y	S	Y	N	N	Y	Y	N	N

Y = Yes, N = No, S = Somewhat. (Source: CLSA Report, 2005)

As shown in Table No. 1 in Malaysia, Singapore, Indonesia and Taiwan companies require to report their annual results within two months of ending a financial year. Same way quarterly reporting is mandatory in most of the Asian countries (except Hong Kong). It has been observed by CLSA/ACGA that only Hong Kong and Taiwan markets require "Voting by poll" for major resolutions. It is also observed that only Singapore and Taiwan and, to a lesser degree, Korea has regularized that make it easy to remove directors who convict fraud and other serious corporate crimes.

Table No. 2

ENFORCEMENT OF RULES AND REGULATIONS OF CORPORATE GOVERNANCE IN ASIAN COUNTRIES.

Name of the country	Independent commission against corruption.
China	N
Hong Kong	Y
India	S
Indonesia	N
Korea	S
Malaysia	S
Philippines	N
Singapore	Y
Taiwan	N
Thailand	N

Y = Yes, N = No, S = Somewhat. (Source: CLSA Report, 2005)

Singapore, Malaysia, Hong Kong and India have been ranked 1, 2 and 3 respectively in framing rules and regulations on corporate governance. But as shown in Table No. 2 only Hong Kong and Singapore have independent commission to overseas the enforcement of all these rules and regulations of corporate sector.

TABLE NO. 3
POLITICAL AND REGULATORY ENVIRONMENT IN ASIAN COUNTRIES.

Name of the Country	Is Securities Commission autonomous of government or not
China	S
Hong Kong	Y
India	S
Indonesia	N
Korea	S
Malaysia	S
Philippines	S
Singapore	S
Taiwan	S
Thailand	S

(Source: CLSA Report, 2005)

As Shown in Table No. 3 only Hong Kong has autonomous statutory regulator which is not the part of finance ministry. There is no autonomous statutory regulator in Indonesia at all. While in other countries there is a statutory regulator to some extent.

**TABLE NO. 4** ACCOUNTING AND AUDITING PRACTICES IN ASIAN COUNTRIES. Name of

the Country	Disclosure of Consolidated Accounts	Disclosure of Segment Reporting	Disclosure of Connected & Transactions	Disclosure of Audit & Non-Audit Fees	Policy of Reconciliation with International Standards
China	Y	Y	Y	Y	Y
Hong Kong	Y	Y	Y	Y	Y
India	Y	Y	Y	Y	S
Indonesia	Y	S	Y	N	S
Korea	Y	Y	Y	Y	S
Malaysia	Y	Y	Y	Y	Y
Philippines	Y	Y	S	S	Y
Singapore	Y	Y	Y	S	Y
Taiwan	S	S	Y	Y	S
Thailand	Y	Y	Y	Y	Y

(Source: CLSA Report, 2005)

As shown in Table No. 4 almost all the Asian countries have Accounting Standard regarding disclosure of consolidated accounts, segment reporting, connected transactions and audit and non-audit fee paid to the auditors ( Indonesia is exception). There are still discrepancies regarding accounting standards into line with international norms in India, Indonesia, Korea and Taiwan.

TABLE NO. 5 INTITUTIONAL MECHANISM AND CORPORATE CULTURE IN ASIAN OUNTRIES.

Name of the Country	Role of Institutional Investors	Role of Retail Investors	Role of Retail Investor's Association
China	N	N	N
Hong Kong	S	Y	N
India	S	S	Y
Indonesia	N	N	S
Korea	S	Y	Y
Malaysia	S	S	S
Philippines	N	N	N
Singapore	S	Y	Y
Taiwan	S	N	N
Thailand	S	N	N

(Source: CLSA Report, 2005)

As shown in Table No. 5 Institutional investors' contribution in the promotion of corporate governance is negligible in case of China, Indonesia and Philippines.

The retail investors have been giving full support in promoting better corporate governance practices in Hong Kong, Korea and Singapore. Only Singapore, Korea and India have an existence of shareholders activist organization for the promotion of corporate governance practices.

#### **CONCLUSION:**

Sir Bob Gatt attributes following situations to corporate failure:

One man rule, non participating board, unbalanced top team, lack of management depth, weak finance function and a combined chairman and chief executives' role.

A large number of PSUs are yet not covered under Clause 49 of listing agreement of the section 292(A) of the companies Act. So, the interests of stakeholders (taxpayers) in such PSUs are at great risk.

Some experts say that SEBI lacks the teeth for ensuring compliance with standards of corporate governance. Corporate governance should indeed be embedded in the corporate culture and should not be merely a matter of compliance. The accounting and auditing practices adopted by the corporate sector of Asian Countries are almost similar. They have also policy to follow accounting standards in line with international norms. But as far as framework and enforcement of rules and regulations are concerned, there are discrepancies in Asian Countries.

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#### "IMPORTANCE OF ETHICAL LEADERSHIP FOR SUSTAINABILITY"

Mr. Tushar Panchal

**Assistant Professor** Rai University, Saroda - 382260, Gujarat (M) 09998 406 205

Ms. Komal Sidhnani

Assistant Professor Rai University, Saroda - 382260, Gujarat (M) 09898 137 322

#### **ABSTRACT**

The ancient Indian epic Mahabharata highlights very strongly that the king is especially accountable for the well-being and happiness of the subjects and the prosperity of his kingdom. A bad king would destroy the well-being of all people and the kingdom as well. A leader is the one who leads and directs the team towards achieving the goals. The one who is following the leader walks on the footprints of the leader. It shows the relation of dependency for good. Judging a leader in the terms of ethics, it can be said an ethical leader will form an ethical team while an unethical leader will give a load of unethical human resource to the organization. Also, the past studies show that an ethical organization is able to sustain itself for a longer period as compared to those of unethical organizations. Thus, it becomes utmost necessary to provide an ethical leader to the team for sustainable supremacy of the organization. This implies that only ethical leaders can make ethical business. And so, every organization must be able to identify the one who can lead and create culture of leadership within an enterprise by forming a proper leadership strategy.

This research paper focuses on the need of ethics in the leadership style for sustainability and long term existence of the organization. It also tries to check the importance of enhancing and molding the skills of leadership for surviving in the rapidly and frequently changing environment. The paper also highlights the various factors affecting the leadership style.

**Keywords:** CSR, Ethical Leadership Model, Ethical, Moral Values, Leadership, Sustainability

## INTRODUCTION

Napoleon articulated the significance of leadership when he said that he would rather have an army of sheep led by a lion than an army of lion led by asheep. This philosophy is largely recognized and accepted by practitioners and researchers who study on the importance of leadership. The entire organizational members have the responsibility to achieve the organizational objectives which are consistent with the values of the organization and serve their own as well as society's welfare. However, being one of the authorized members of the organization, the primary duty and responsibility to ensure high standards in the performance and proper direction is of the organizational leader. Organizational leader plays a vital role in formation of ethical practices in the organization as he is the person who communicates his ideology in terms of the organizational culture. Thus, an organizational leader must reflect his morals in his behavior as well as in the business strategies and policies formulated. Only then he

can be considered as a true and ethical participant. However, it is noted from different surveys that there also exist certain leaders who do not even feel hesitant in doing unethical practices for the organizational and personal benefits. But, mostly such scenario occurs when the management is not giving them their due. So, the organization should not workonly for the benefits of its shareholders, but also for other stakeholders and the society. They should not be neglected for the accomplishment of shareholders' motives.

#### LITERATURE REVIEW

In recent years, one has been exposed to the collapse of Enron, the fall of the Lehman Brothers, as well as the housing market crash; all due, in part, to unethical behavior. Green and Odom (2003) note that the lack of ethical leadership in Enron caused harm to thousands of employees, invoked greater government regulation, and crippled consumer confidence of the financial industry (Thompson, 2010).

The examples of organizations exhibiting unethical behavior has caused businesses to reexamine their strategic direction, helping them learn that ethical leadership is the way which leads to profitability (Moss, 2002). However, as Thornton (2009) notes, "Now in the global marketplace, with fierce competition for business and resources, the scope of problems that can occur in leadership ethics has expanded exponentially".

A rigorous qualitative study completed by Plinio, Young, and Lavery (2010) found that one of the most serious problem facing organizations today is impoverished ethical behavior and nonexistent ethical leadership. Consequently, the authors note that trust in leadership is waning and the situation is worsened by a weak economy. The authors also noted an alarming increase in misconduct by employees at all levels.

Today, ethical characteristics of leader behavior are taken into attention within various leadership styles. For instance, transformational leadership has been described as incorporating an ethical component. Some authors suggest that transformational leaders could behave either ethically or unethically, and these different forms are distinguished as authentic (i.e., ethical) transformational and pseudo - (i.e., unethical) transformational leadership (Barlinget al., 2008; Bass and Steidlmeier, 1999).

Darcy (2010) confirms that the current climate of organizations is skeptical regarding ethics. In a qualitative study completed by the author, it was discovered that sixty-six per cent of people question if ethics within leadership even exists. This is what the author refers to as "a crisis of trust". The conclusion of the study found that the biggest problem in organizations and individuals today is a lack of trust.

Annual fraud survey results conducted by **Ernst & Young** from November 2011 to February 2012 are shocking. Out of more than 1700 executives, 15% said that they were prepared to make cash payments to win the business. This figure was 9% in the previous year survey. The study also found that 81% of the respondents said their companies had anti-corruption policies in place, but 42% said they had not received training on those policies. These results are not only for some regions. Overall, 39% of the respondents around the world said corruption occurred frequently in their country. Ernst & Young explored the results around the world which shows the need for the change in the philosophy of organizational leaders to attain the business goals putting the moral values aside.

There are unethical practices going on in the organizations are now understood but one even more dreadful survey results show that even whistle blowers are not accepted. According to the 2011 National Business Ethics Survey, 65% of workers reported which is all time high in the past years. From this reported whistle blowers more than 22% said that they have faced some kind of revenge after whistle blowing. Moreover the results show that the pathetic ethical culture companies' share has been noted 42%, compare to 35% - two years ago.

These survey findings expressed that the ethical leadership development is necessary for the ethical business practices in the organization. This task can be done by the organizational leaders i.e. Executives.

#### **OBJECTIVES**

- To know the impact of various factors on the leadership style
- To check the significance of ethical leadership for long term sustainability of the
- To know the need of flexibility in the leadership style

#### RESEARCH METHODOLOGY

The research is solely based on the available secondary data with the intention of exploring new things with the help of existing research. Thus, the research designed used for the study if of Descriptive and Exploratory in nature.

#### ETHICAL LEADERSHIP

Ethical Leadership, as presented by Pickett (2001), is an incorporation of organizational theory that delivers a contingency model permitting organizations to strategically develop the types of socially responsible consequences that are based on internal climates, environments and decision making processes and abilities.

Based on the Ethical Leadership model, an argument is made for restructuring management and leadership thought. In other words, organizational behaviours are altered to the desired outcomes, based on individual organizational norms and mores. It is in this capacity that each individual organization will "fit" their management and leadership needs to their desired outcomes. Ethical Leadership creates a synergistic combination of managerial and visionary leadership, which serves to enhance organizational survival, growth, and long term viability of an organization.

Karianne, Kalshoven, Deanne N. Den Hartog, Annebel H. B. De Hoogh (2011) suggests an especially important role for both conscientiousness and agreeableness in this realm. It has potential practical implications for selection by identifying leader personality traits that are related to ethical leader behaviours. Organizations can select leaders that are likely to behave somewhat more fairly, share power and clarify roles based on their personality profiles. Selecting and developing managers who behave ethically at work is important as ethical misconduct can be costly and damage the reputation of both leaders and organizations. They identified potential importance of understanding better the role of individual differences and especially conscientiousness, agreeableness and emotional stability in ethical leadership is highly relevant.

#### MODEL OF ETHICAL LEADERSHIP

One definition of ethical leadership is a leader who is aware of their core values and has the courage to live them in all parts of their life. Moreover, it is a leader who demonstrates ethical behavior in all actions, public and private, and embeds these ethical behaviors in their decisions and knows and recognizes how these actions affect the common good. Ethical leadership, as professed by Lashway (1997) is one that is built on characteristics of trust, respect, honesty, integrity, caring, and grace. Moreover, it is the act of leading with moral purpose. It holds that happiness is the ultimate goal, one where the best decisions are the ones that will result in the greatest good for the greatest number.

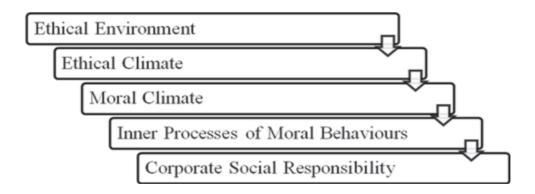


Figure I – Model of Ethical Leadership (Designed by the authors)

This definition of ethical leadership is grounded on three constructs: (a) it includes moral leadership, (b) it is evident in the outcomes of the leader's behavior, and (c) the leader acts ethically. Ethical leadership cannot be understood without understanding ethics. Ethics is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct. In simple terms ethics means understanding what is right and what is wrong. Ethics are sometimes seen as moral values of a person and seen as different from person to person. But in case of ethics, ethics are universal. It can't be changed with time or individual. Ethics are based on generally accepted principles such as honesty, justice, fairness, accountability, doing what is good for all beyond our self motives.

Ethical leadership is not limited to the moral leadership. It is beyond that. Ethical leadership means not only work morally but also legally. Green management can be part of ethical leadership. Ethical leadership means 'leading ethically'. Leading ethically refers that a leader has to work ethically and direct other employees to work ethically. Therefore we can say that it has two dimensions: one is to work ethically and second to lead ethically as to lead employees you must reflect your ethics in your actions.

#### COMPONENTS OF ETHICAL LEADERSHIP

**Purpose:** The reason behind each and every action for the organization as well as the society.

**Knowledge:** The leadership must be done by evaluating the information and the consequences of their actions.

**Authority:** To make any decision the leader must possess enough authority to enquire and take corrective actions.

Trust: Trust is the most important part as the leaders inspire other employees to act in such manner. Without trust the authority can't develop ethics in employees. Employees must trust the leaders for the right actions.

Ethical leadership can be understood trough different predefined theories, models and customized approaches. Researchers in the field of applied psychology define ethical leadership as the demonstration of appropriate conduct through personal actions and relationships and the promotion of such conduct to subordinates through two way communication, reinforcement, and decision making.

#### **CURRENT CHALLENGES OF ETHICAL LEADERSHIP**

Walton (2008) identified forty-five traps within ethical leadership in the research. The author labeled these traps into three distinctive categories, primary, defensive, and personality.

A primary trap is initiated from an external source, whereas, a personality trap is one that originates from within. The author poses a solution for leaders to identify the source of the trap and, in doing so, the leader will be better able to avoid ethical complications. However, the author acknowledges the difficulty leaders have avoiding these common ethical traps.

Ward (2006) examines the reason for ethical failures in leader. During the study, the author found that ethical failures do not occur because of selfishness, but rather out of ignorance. The author notes that often time an individual who holds a role of leadership may feel excused from moral requirements that others follow. The reasoning behind this is because the leader senses the role of leader separate from his or her self. When this occurs, a leader is more likely to excuse oneself from acting ethically in the role. The author's solution for leaders is to gain more knowledge in the field of ethics.

Darcy (2010) proves that the present environment of businesses is doubtful regarding ethics. In a qualitative study completed by the author, it was revealed that 66% of people question if ethics within leadership even exists. This is what the author refers to as "a crisis of trust". The conclusion of the study found that the biggest crisis in organizations and individuals today is a lack of trust.

Lack of trust can be characterized to what Frank (2002) calls the "shadow side" of leadership. These shadows include the negative influences of "power, privilege, deception, inconsistency, irresponsibility, and misplaced loyalties". Unluckily, over time followers become exposed to the consequences these shadow behaviors cause, and lose trust in the integrity of their leader.

#### ANALYSIS FROM AVAILABLE RESEARCH

It has been sort out that knowledge of ethics made stage to understand ethical leadership and its implementation would be possible. As Pickett (2001) suggests that Ethical behavior of leaders are based on internal climates, environments and decision making processes and abilities. Also, he has developed an EL model for restructuring management and leadership thought.

Furthermore, added that EL creates equilibrium for managerial and visionary leadership which would be helpful to enhance organization survival, growth and long-term viability of an organization.

The ethical leaders' behavior is based on leader's personality traits. And every enterprise has to select and develop managers for ethnicity towardswork; it is important as unethical leaders can be costly and damage the reputation of an organization. By various definitions, one can conclude that ethical leadership is grounded on moral values, individual personality traits and perception of ethics. Lack of trust is one of the important factors for ethical leadership as identified by Darcy.

Ethical leadership is important for survival of business as followers follow their leaders. This ignites that every organization has ethical leadership culture for sustainable.

#### DEVELOPED MODELS

Based on the above review, we've come to conclusion for sustainability and critical factors responsible for ethical behavior.

1. Way to Sustainability: The figure below shows the path towards the attainment of sustainability passing through various stages of knowledge of ethics which creates the platform for ethical leadership, leading to the implementation of the same.



Figure II – Way to Sustainability (Designed by the authors)

2. Factors' Wheel for Ethical Behavior: The following figure shows the various factors effecting and infusing the ethical behavior. Among these the most critical factors that are responsible for the ethical behavior are Environment & culture in the organization and the internal climate of the organization.



Figure III - Factors' Wheel for Ethical Behavior (Designed by the authors)

#### **CONCLUSION**

The new Ethical Leadership style is ever evolving as ethical dilemma forces leaders to reassess existing situations. Today's research on Ethics more emphasis on whether leaders are ethical or not, the influence of ethical leader on the followers and the challenges faced by the organization in following the ethics. There are still many untouched areas within Ethical Leadership. Although it has been observed that unethical organizations are successful in earning high profits but such profits do not last for long. The organizations which are ethically healthy and fit have succeeded in attaining long term sustainability of profits and organizations. This also helps in leading the market share and earning customer loyalty and trust. Ethical Leadership offers a synergistic combination of managerial and visionary leadership which serves to enhance organizational survival, growth, and long-term viability of organizations.

## MANAGERIAL IMPLICATION

A real research is the one which is practically applicable and feasible. This study has been conducted with no less intention but to make it useful in the organizations.

As this study concludes that for long term sustainability one has to be ethical, we can see that for the attainment of such ethical environment in the organization, various models of this study can be used by the organizations. The managerial implications of the same would be:

- The wheel of ethical behavior can be used for identifying the factors which are hindering the ethical behavior of the members of the organizations.
- The model of ethical leadership gives the step by step path towards the attainment of the sustainability of ethics and ethical behavior in the organization.
- The descriptive and analytical study of the existing research summarizes that when proper amount of authority, trust and knowledge are given in the hands of the leaders, it helps them in moving towards sustainable ethical leadership. It also helps them in motivating their followers to function ethically. Thus, this analysis can be used and can be applied in the management for making it easy for the leaders to motivate themselves as well as their followers to choose the path of ethics.

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# A STUDY OF THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON INVESTORS

#### Ms. Komal Sidhnani

Assistant Professor University, Saroda, Pin: 382260. Email id: komalsidhnani@gmail.com (M) 09898 137 322

## Mr. Tushar Panchal

Assistant Professor University, Saroda, Pin: 382260, Gujarat Email id: tushar\_success@yahoo.in (M) 09998 406 205

#### **ABSTRACT**

At present, organizations that desire to attain long-term success must think about what is known as the Triple Bottom Line which is known as the 3Ps: Profit, Planet and People. "Corporate Social Responsibility ("CSR"), as a strategic practice, is key to organizational success because it is one of the few practices that can positively impact all three elements of the Triple Bottom Line, contributing to a healthy bottom line and-long term sustainability". Corporate Social Responsibility has long been argued for profitability of organizations. But apart from profitability factor, it also needs to focus on their responsibilities towards valuable investors (People; one of the three Ps). In today's competitive era, the Investorswho do not only consider the basic factors for investment (like Fundamental Analysis, Technical Analysis, Advisors, etc) but also focus on emerging factor CSR, are considered to be vital,. If this factor is not taken care of properly than it may explode the organization's future. This encourages us to focus on whether the investors make decision for investment on the basis of the CSR initiatives by the organization, and vice versa. The purpose of this studyis to know the impact of CSR initiative on Investment decisions made by investors. The research would be done by targeting 100 investors as a sample for the study and analyzing the same for achieving objectives.

**Keywords:** Corporate Social Responsibility, Investors, Triple Bottom Line, Sustainability

#### INTRODUCTION

Corporate social responsibility (CSR) has become a vital part of business practice over the last decade. In fact, many firms dedicate a segment of their annual reports and company websites to CSR activities, illustrating the importance they attach to such activities. But do such activities create value for the firm's shareholders or do they focus too much on other stakeholders, thereby lowering firm value? Despite much research on the topic (for reviews of the literature, see Griffin and Mahon 1997, Orlitzky 2001, Orlitzky et al. 2003, Margolis and Walsh 2003, Margolis et al. 2009), few firm conclusions can be drawn, except that the literature is divided. Although there appears to be more support for the view that CSR activities are positively related to profitability and firm value, a large number of studies find the opposite relation. As a result, the normative implications of research on corporate social responsibility are still uncertain. The relation between CSR activities and firm value is unclear partly because of methodological concerns (Margolis and Walsh 2001) and, in particular, model misspecification. Even more important is, perhaps, the lack of understanding about the channels through which CSR affects firm value. Most theoretical models assume a direct link between CSR and firm value. In this paper, we propose an indirect link. In particular, we rely on Barnett's (2007) insight that the

impact of CSR on firm value depends on the ability of CSR to influence stakeholders in the firm. We focus on one of the key stakeholders, consumers, and suggest that a necessary condition for CSR to modify consumer behavior and, hence, affect firm value, is consumer awareness of firm CSR activities. Moreover, we argue that consumers are less likely to respond to CSR activities, even if they are aware of them, if the CSR activities are not aligned with the firm's reputation as a responsible citizen (see also Du et al. 2010, Schuler and Cording 2006).

#### **DEFINING CSR**

Baron (2001, p. 10) argued that "Corporate social respibility is an ill and incompletely defined concept." We rely on the broad definition proposed by the World Business Council for Sustainable Development (WBCSD 2004), which argued that "CSR is the commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life."

This definition includes the elements that are generally included in empirical work on CSR, such as the community, the environment, human rights, and the treatment of employees. Whereas some of these elements relate to social dimensions, others focus on stakeholders (e.g., treatment of employees). As such, this definition is consistent with Griffin and Mahon's (1997) multidimensional notion of CSR and with the work of Dahlsrud (2008), who reviewed various definitions of CSR and found that the stakeholder and the social dimensions receive exactly the same attention based on frequency counts in Google searches. The inclusionstakeholders within the remit of CSR is, however, not without controversy, especially given that the boundary between stakeholder management and CSR is not clear cut.

#### **CUSTOMER AWARENESS AND CSR**

There is a substantial theoretical literature suggesting that CSR activities can enhance profitability and, hence, the value of the firm. Berman et al. (1999) provided an excellent overview of the various elements of CSR and the ways in which these activities can increase firm value. The concern, of course, is that CSR activities are costly and that the costs do not (always) outweigh the benefits. In fact, empirical studies on the relation between the value of the firm and CSR activities find mixed results, including an impressive number of studies reporting a negative relation (see Griffin and Mahon 1997; for a differing view, see Roman et al. 1999).

There is a clear disconnect between these two facts. As articulated by Bhattacharya and Sen (2004) and Schuler and Cording (2006), the lack of customers' awareness abot CSR initiatives is a major limiting factor in their ability to respond to these initiatives. Similarly, McWilliams and Siegel (2001) argued that potential customers must be fully aware of CSR characteristics for CSR differentiation to be successful; they also predicted a positive correlation between advertising intensity and the provision of CSR. All of these authors recommended that companies work on increasing CSR awareness levels, if CSR is to be a profitable strategic investment. This work also suggests that not all firms fully appreciate the importance of customer awareness when evaluating CSR as a strategic investment.

#### LITERATURE REVIEW

CSR activities are positively related to profitability and firm value, a large number of studies find the opposite relation. As a result, the normative implications of research on corporate social responsibility are still uncertain. The relation between CSR activities and firm value is unclear partly because of methodological concerns (Margolis and Walsh 2001) and, in particular, model misspecification. Even more important is, perhaps, the lack of understanding about the channels through which CSR affects firm value. Most theoretical models assume a direct link between CSR and firm value. In this paper, we propose an indirect link. In particular, we rely on Barnett's (2007) insight that the impact of CSR on firm value depends on the ability of CSR to influence stakeholders in the firm. We focus on one of the key stakeholders, consumers, and suggest that a necessary condition for CSR to modify consumer behavior and, hence, affect firm value, is consumer awareness of firm CSR activities. Moreover, we argue that consumers are less likely to respond to CSR activities, even if they are aware of them, if the CSR activities are not aligned with the firm's reputation as a responsible citizen (see also Du et al. 2010, Schuler and Cording 2006).

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#### RESEARCH METHODOLOGY

#### Research Objective

- To study impact of CSR on Investor
- To study the concept of CSR
- To study the pattern of Investor for Investment decision

# Hypothesis Framed

#### Hypothesis 1:

H<sub>0</sub>: There is no significant relationship between awareness of CSR and investment based on CSR campaign.

H<sub>1</sub>: There issignificant relationship between awareness of CSR and investment based on CSR campaign.

## Hypothesis 2:

H<sub>0</sub>: The investment decision based on CSR campaign does not give satisfactory returns.

H<sub>1</sub>: The investment decision based on CSR campaign gives satisfactory returns.

## Research Design

As this research study is based on describing the phenomenon in study, it is descriptive in nature. The descriptive research design is selected with an intention to ascertain and to demonstrate the characteristics of the variables of interest pertinent to the study. Single cross sectional descriptive research design has been used in the research.

## Sampling Technique

Non-Probability Convenience sampling technique is used to select sample units of Ahmedabad city.

## Sample Size

100 respondents (Investors)

#### Data Collection Method

Both primary and secondary data collection methods are used. The Primary data is ollected by survey method through personal interviews. The secondary data is collected with the help of the existing journals, articles, books and literature.

#### Research Instrument

The structured questionnaire is constructed and used after doing pilot study. Questionnaire was prepared keeping in mind the various outcomes possible. Care was taken that the questionnaire is not wrong interpreted. (See Annexure A)

# DATA ANALYSIS AND INTERPRETATION

# Analysis of Questionnaire

Table 1

	18-30	21
Ago (in years)	31-45	64
Age (in years)	Above 45	15
	Total	100
	Below 10K	13
	10K-25K	57
Income (monthly)	25K-50K	19
	Above 50K	11
	Total	100
	Higher Secondary or less	9
Education	Graduates	72
Education	Post Graduates	19
	Total	100
	< 1 Year	14
	1 – 3 Year(s)	18
Experience	3 – 5 Years	49
	Above 5 Years	19
	Total	100
	0-5%	10
	6-10%	11
Proportion of Income for Investment	11-15%	68
ALL SULLIVIE	Above 15%	12
	Total	100

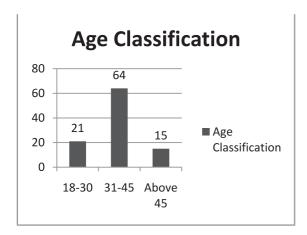


Figure 1

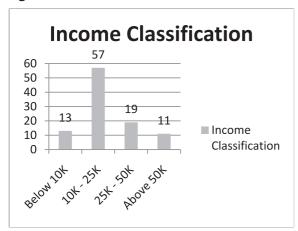


Figure 2

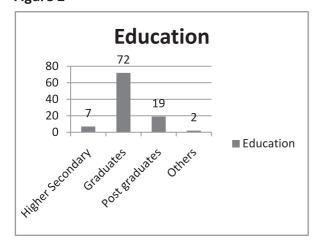


Figure 3

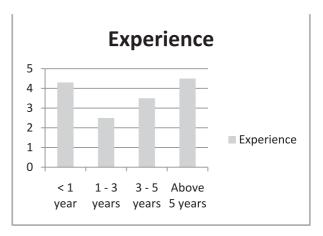


Figure 4

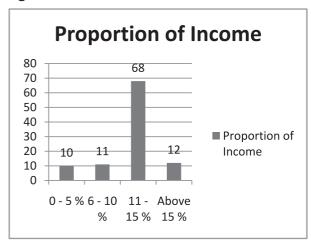


Figure 5

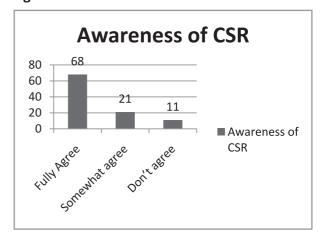


Figure 6

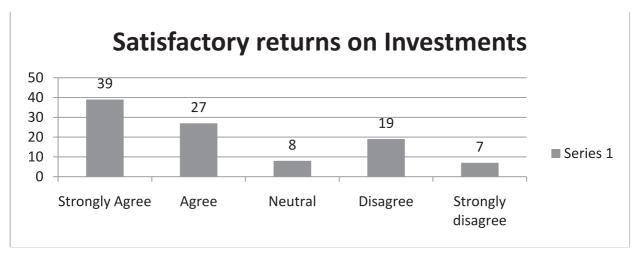


Figure 7

## **Parameters**

Parameters	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	+1	+2	+3	+4	+5
Fundamental Analysis	3	20	4	53	20
Based on CSR Campaigns	10	14	10	16	50
News & Tips	7	8	3	59	23
Insider Information	10	26	14	29	21
Broker's Advise	10	18	20	27	15
Past experience	5	29	7	37	22
Bonus Share/ Dividend/Expected return	9	21	9	21	40

Table 2

# Testing of Hypothesis

# Hypothesis 1:

Ho: There is no significant relationship between awareness of CSR and investment based on CSR campaign.

H<sub>1</sub>: There is significant relationship between awareness of CSR and investment based on CSR campaign.

		Investment	Investment based on CSR				
		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
	Fully Agree	3 (6.8)	6(9.52)	4 (6.8)	10(10.9)	45(34)	68
Awareness of CSR	Somewhat Agree	3(2.1)	4(2.94)	3(2.1)	6(3.36)	5(10.5)	21
	Disagree	4(1.1)	4(1.54)	3(1.1)	0(1.76)	0(5.5)	11
	Total	10	14	10	16	50	100

#### Table 3

## (Designed by the authors)

Chi-square (cal) = 36.4

chi-square (tab) = 15.507

Degrees of freedom = 8

Chi-square (cal) > Chi-square (tab);

Hence, H<sub>0</sub> is rejected & H<sub>1</sub> is accepted.

Therefore, there is significant relationship between awareness of CSR and investment based on CSR campaign.

## Hypothesis 2:

H<sub>0</sub>: The investment decision based on CSR campaign does not give satisfactory returns.

H<sub>1</sub>: The investment decision based on CSR campaign gives satisfactory returns

Variable: Investment based on CSR campaign and Satisfactory returns

x (Satisfactory returns)	7	19	8	27	39
y (Investment based on CSR campaign)	10	14	10	6	60

## Table 4

$$\sum (X - Mx)_2 = SSx = 724$$
  $\sum (Y - My)_2 = SSy = 2032$   $r = 918 / \sqrt{(724)(2032)} = 0.76$ 

r = 0.76 indicates that there is a strong relation between variables x and y

Hence, H0 is rejected & H1 is accepted.

Therefore, it is seen that investment done on the basis of CSR can generate satisfactory returns.

#### **Interpretations**

- From hypothesis 1, it can be interpreted that awareness of CSR among the investors motivates them to invest in a particular company.
- From hypothesis 2, it can be interpreted that investors can take the decisions of investment on the basis of the CSR campaigns taken by the company in order to get satisfactory results.

- It can be interpreted from the received responses that 68% of the population of investors, invest 11-15% of their income. And it is also seen that 57% of the population earn between 15 to 25 thousand a month.
- It is seen that 39% respondents are satisfied with their returns. It can be considered as a good sign for the corporations to get motivated for promoting CSR campaigns.
- It can be seen that 68% of population is fully aware of the CSR concepts while 11% of population do not know anything about the CSR.

## **CONCLUSION**

From the whole study when can conclude that CSR plays a major role in taking the investment decisions. Though only 68% of the population is aware about CSR, it is seen that 39% are fully satisfied and 27% are partially satisfied with the returns generated out of investments based on CSR. And, this motivates the investors for future investments.

Further the data shows that out of 68 people who are aware of CSR concepts, 45 people invest on the basis of the same. Thus, it can be said that CSR plays a major role in making investment decisions and thus, have huge impact on investors' psychology. However, the concept of CSR is still at the evolving stage in India and yet to reach the maturity.

#### MANAGERIAL IMPLICATIONS

A real research is the one which is practically applicable and feasible. This study has been conducted with no less intention but to make it useful for others.

- This study can be used by the investors to understand the concept of CSR and to know its impact on investment.
- Organizations can use at reference to promote CSR in their organizations.
- The broking firms can use the information generated by survey method for giving proper advices to the investors for making investments in securities.

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## CITIZEN CENTRIC E-GOVERNANCE FOR RURAL DEVELOPMENT

#### Professor B.V. Buddhadeva,

Principal. Government Engineering College, Bhavnagar, Gujarat Phone: 9825046179 Email:bvbld@yahoo.com

#### Ms. Ruchita Shah

Asst. Professor, Department of Computer Science, Gujarat Vidyapith, Ashram Road, Ahmedabad-380014 Phone: 9825024103

Email: ruchitashah@hotmail.com

#### **ABSTRACT**

Application of ICT in processes of governance can be considered in two categories viz. for improving government processes and secondly for building interaction with and within civil society. Governance permits new ways of participation of citizens and communities for debating. Such interactions facilitate provision of accurate information about social problems and their possible solutions. Rural e-Governance can provide timely information to the rural citizens and have the potential to spawn innovative means of wealth generation in rural context. However, given the high incidence of poverty in rural India, e-Governance implementation is a complex process. This paper discusses an integrated approach to e governance in rural context. It proposes a framework which helps to evolve techniques/methodologies for designing sustained ICT initiatives for rural governance that result in economic and social empowerment of people at the grassroots.

Key words: e-Governance, rural development, Farmers, Crop Management System, citizencentric e governance

#### INTRODUCTION

Information and communication Technology has changed the way the society functions. The convergence of all forms of communications on the digital playfield has opened up immense possibilities of achieving speed, versatility and space-time independence. Governments are no exception to this phenomenon. The term e-governance refers to application of ICT in processes of governance to improve government services. E-Governance can be considered in two categories viz. for improving government processes (G2G) and secondly for building interaction with and within civil society (G2C and G2B). A good e-Governance model provides a platform where various communities get solutions from their problems through participation. Dr. APJ Abdul Kalam, former President of India, has visualized e-Governance in the Indian context to mean: "A transparent smart e-Governance with seamless access, secure and authentic flow of information crossing the interdepartmental barrier and providing a fair and unbiased service to the citizen." [Inaugural address at IIT Delhi during International conference on e-Governance].

India is one of the most populous nations of the world with a population of approximately 121 crore of which 83 crore people (68.84% of its population) inhabit approximately 6,38,365 villages (Census, 2011). The country has a diverse social and cultural profile where each region has different ecology, language and traditions. In Indian villages every second person is illiterate, and majority of them are small farmers, artisans or laborers. Poverty affects 22% of the

second person is illiterate, and majority of them are small farmers, artisans or laborers. Poverty affects 22% of the rural citizens (Census, 2011). In this paper, we have tried to propose a conceptual framework which help cater the needs of a farmer throughout the life cycle of a crop.

#### REVIEW OF LITERATURE

e-Government hype is not e-government reality. The central lesson which emerges out of e-government practices for last more than a decade is that public service delivery continues to be unsatisfactory and the vast, almost revolutionary potential of e-government continues to be unrealized. To redress the situation it is necessary to define-e government afresh and propose a citizen centric criteria-based definition of e-government as a lodestar to guide the efforts of egovernment policy makers and inplementors (Dinesh Misra, 2006). A large number of e-Governance projects aim at bringing the benefits of ICTs to communities where individual ownership of computers is low and use of the Internet is infrequent (Best & Kumar, 2008). This trend illustrates the high and ever-increasing expectations placed on ICT in terms of bringing about improvement in quality of life, empowerment and economic development for the rural communities (Hosman & Fife, 2008).

Governance in order to be citizen centric should be participative and transparent. It should be effective, efficient and responsive to the citizens. Furthermore, an ethos of serving the citizens should permeate all government organizations. Last but not the least, government organizations should be accountable to the peopleUsers and their needs must be placed at the center of eservice design and delivery to improve usage. (UN report 2012). 2012's e-government Readiness Index shows India occupying 125th position out of 182 countries surveyed with an ereadiness Index of 0.50 out of 1 (UN Report, 2012).

Table I. E-Governmen	t Readiness	Index and	Metrics (LIN	e-government	Report 2012	1
Table I. E-Governinen	i ixeaumess	HILLON ALLO	LIVICIIICS LUIN	C-SOACHHICH	IXCDOIL ZOLZ	,

Rank	Country	Web	Infrastructure	Human	E-government
		Measure	Index	Capital	Readiness
		Index		Index	Index
1	Republic of Korea	0.9283	1.0000	0.8356	0.9494
2	Netherlands	0.9125	0.9608	0.8342	0.9425
125	India	0.3829	0.5359	0.1102	0.5025

Recently, the Government of India (GOI) has envisaged the National E-Governance Plan (NeGP) to set up 2, 50,000 telecentres or CSCs in rural areas with the following objectives (Chauhan, 2009):

- a) Making all government services accessible to the citizen in his/her locality, through common service delivery outlets;
- b) Ensuring efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the citizen.

#### CITIZEN-CENTRIC E-GOVERNANCE

The number of services that can potentially be delivered depends on the nature of service, technical feasibility of delivering those services in rural areas and needs of the various stakeholders - citizen, government and business. The volume of services demanded would depend on the price of the service and the quality of the service which includes howintegrated and complete these services are. For example, farmer would value highly the services that are integrated, that is, services that address input procurement, crop productionas well as marketing the produce. Farmers would also value services that are complete. For example, for availing a loan, it may not be sufficient to give information about where the loan is available or what the interest rates are, but should have complete information on the terms and conditions, how to apply, documents needed, availability of application, assistance to complete applications, submission of completed applications, follow-up on the application, delivery of loan granted and guidance on repayment, etc. Citizens would also prefer a cluster of services that cater to various aspects of living and livelihood such as education, health, agriculture, entrepreneurial, communication, bill payment, government certificates, entertainment, etc. in one place. Thus Goals of citizen-centric e-Governance can be identified as

- Providing services through single window to citizens
- Providing access to all irrespective of digital divide such as call centers, customer service centers at remote areas, mobile access etc
- Interface and applications to overcome language, cultural and procedural barriers
- Integration of backend systems across all departments to ensure seamless flow of information
- Avoiding redundancy and inconsistency of data
- Secure online transactions and confidentiality of data
- Making Information available to the citizen for their purpose and at their convenience

#### **CROP MANAGEMENT SYSTEM**

A farmer engaged in agricultural activity requires many services at various stages of crop production process. At the beginning of the season, the farmer needs crop advisory services related to seeds, fertilizers, type of crop, soil testing, etc. Given the dependence of agriculture in India on rainfall and the inherent uncertainty involved because of this dependence, farmers need crop insurance as well. Farmers also have many training needs regarding farming, harvest and post-harvest technologies. All these services can be integrated and provided by the CMS. The CMS can also facilitate agribusiness companies in buying produce directly from farmers. An exporter for example, would be able to gather information about the crop sown by farmers in a particular area, the condition of the crop and the total produce from that region. Seed companies would be able to know which seed would be in demand in the next season.

Table I. Illustration of Completeness of an Agriculture Service

Level	L1	L2	L3	L4	L5
Service	Select & Provide	Search & Provide	Connect and Provide	Organize and Provide	Network and Provide
Agriculture	Information on agri inputs (seed, fertilizers)	Information on source and availability	Establishing contact	Ordering and payment	Feedback
	Information on crop produce	Market rates and prospective buyers	Establish Contact and finalize a deal	Receiving Payment	Feedback

Thus, by providing a cluster of complete set of services in an integrated manner, the demand for services can be stimulated, and can help create market for various services in rural areas. Clustering of services will also help to take advantage of economies of scope. Delivery of many services need common equipments and skill requirements such as in the case of farmers' training, various payments, etc. and therefore amenable to cost reduction for each service. Thus, a sustainable design of telecentres needs to embed government services in order to increase the scope of rural service delivery for better financial viability as well as to improve effectiveness of their delivery for fostering inclusive growth. Providing a wide of services also helps in bridging digital divide. Providing a large bouquet of services in rural areas will help bridge digital divide. This also improves governance at the lowest levels of administration by substantially improving the process of collection and management of data related to various government programs.

Implementation of integrated crop management systemwill provide real time information to the farmers on crop prices to enable them to selltheir crop at the best possible rates and eliminate the role of middleman. The disbursement of cash and monitoring of agricultural credit can be made more effective, quick and transparent. Information can be provided to farmers helping them increase agricultural produce by adopting new technique for selection of land, buying of seeds, and use of fertilizers to post harvest processing.

A farmer performs following eight major steps from crop selection to harvesting:

- 1. Crop Selection
- 2. Land Preparation
- 3. Seed Selection
- 4. Seed Sowing
- 5. Irrigation
- 6. Crop Growth
- 7. Fertilizing
- 8. Harvesting

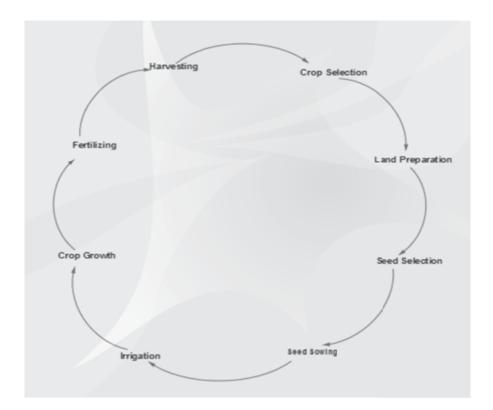


Figure II. Crop Management System Functions

Farmers need information at each step form crop selection to harvesting.

## Crop Selection

- o Comparative pricing of different crops. For some crops government releases prices of the crop at the time of seeding.
- o Market demand and sale potential of the crop.
- o Budget required for the cultivation of each crop.
- o Feasibility of the crop considering climate and quality of land.
- o Crop productivity compared with other alternatives.

## Land Preparation

- o Effects of any disease from the previous cultivation and steps needed to minimize this impact.
- o Fertilizers needed to bring land to its normal fertility depending upon the previous crops and fertilizer used.
- o Layout and design of the field with respect to crop for efficient irrigation.
- o Latest techniques for leveling the fields and their cost.

#### Seed Selection

- 0 Price and quantity needed per acre
- Average yield and sprout to sown ratio. 0
- 0 Suitability to particular area and climate.
- Water requirement. 0
- Resistance to diseases. 0
- Location of distribution offices for the seed. 0

## **Seed Sowing**

- 0 Appropriate time to sow the seed.
- Optimal weather conditions at sowing time. 0
- Best method for the sowing of seeds. 0
- Seed sowing depth. 0

## Irrigation

- Critical time for irrigation. 0
- Amount of water to be given to the plants. 0
- Frequency of irrigation.

## Crop Growth

- Number of plants per unit of area. At times more than optimum numbers of seeds sprouts 0 are planted in a given area. Farmers must reduce density for healthy growth of plants.
- Average growth rate of the crop in normal conditions. 0
- Comparison of crop growth rate, leaf size, crop color etc. with expected growth for given 0 conditions and input.
- Interventions needed to maintain expected growth. 0
- Frequency, quantity and method for fertilization. 0
- Proper time, frequency and method for plowing. 0
- Proper time, frequency and method for weeding. 0
- Expected pest and virus attacks, symptoms of such attacks, precautionary measure that can 0 be taken in advance to avoid these attacks, immediate actions including pesticide to be used to kill pests and viruses, quantity of pesticide to be used per acre, most effective method for pesticide spray, avoid health issues related to pesticide spray.

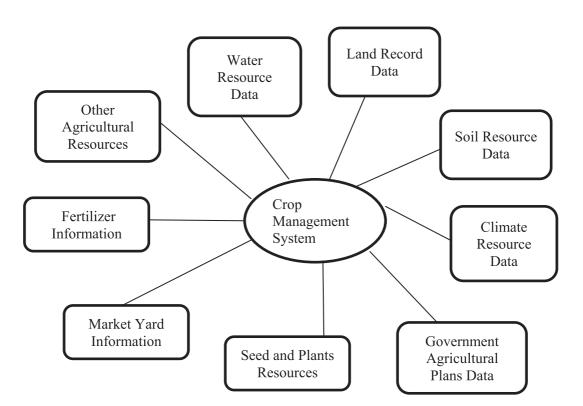
## Harvesting

- o Proper time and method for harvesting.
- o Comparative market rates.
- o Proper crop storage.
- o Cost of transportation.

Alongwith these informations, optimum crop production is also influenced by many factors such as soil (soil health card), previous crop, climatic factors, seed type, fertilizer availability, irrigation, weather forecast, government plans & subsidies disease management. Interaction between these factors can be complex. The model is designed to access a series of databases to retrieve various information and based on this information, best possible solutions are given that will fulfill all user requirements. It takes input from the farmers as well as different other system.

- Soil test analyses (Soil health card)
- Climatic region
- o Current climate & field information
- Crop Duration
- Current market rates
- o Government plans and subsidies available
- Success stories

Thus Crop Management System will receive data from different sources such as Farmers, Seed selling Authorities (government as well as private sellers, NGOS), Banks and NGOs for loan, Fertilizer companies, Government authorized soil inspection laboratories, Grain Purchasers, Regional Agriculture Department, Regional weather forecasting authority etc.



Figuer III: Components of Crop Management System

#### PROPOSED FRAMEWORK

As per Unique Identification Authority of India, every citizen will be having a unique identification number i.e. Aadhar, which identifies every citizen uniquely. This system identifies each farmer through his/her UID. Based on criteria obtained from the different resources such as Land records of state, soil health card, past crop taken, current season List of possible cropswill be displayed for the farmer to choose. When farmer selects one of the crop, availability of seeds, their different type, minimum requirements for growing that particular seed and which will give optimum crop will be displayed. On selection of type of seed, farmer is asked to input his total field area. Based on it, total quantity of seed, preparation of soil before plantation, treatment of seed, its growing pattern, irrigation information and required nutrients are displayed. For each crop, weeding information will also be displayed. Farmer can select options of fertilizers from the list & required quantity will be calculated. When to harvest cropwill also be displayed. How they can prepare field for next crop i.e. post-harvest steps are also displayed.

Also, farmers can input symptoms of disease or can select insects from the picture and preventive & curative measures will be displayed. Along with this, at each step of crop cycle, different equipment are required. They will also be displayed at each stage. Certain equipment can be available on rental bases. From where they can buy/rent equipments at their near by location will also be displayed. Thus major functions of Crop management system are

- Land preparation
- Crop establishment
- Nutrient management (Fertilizers)
- Irrigation
- Weeding
- Pest and disease control
- Crop harvest
- Post-harvest

UID database Land records Farmer Database Database Farmer Registration Government Soil Health **Schemes** Card Season and Duration Crop selection Seeds Crop Database Database Seed selection Fertilizer Database Information about irrigation, fertilizers, Equipment pesticides, weeding, Database harvesting, equipment etc. Pest control Database

Figure IV: Crop Management System Framework

#### BENEFITS OF PROPOSED MODEL

Proposed system provides an all-inclusive service to farmer. It is beneficial to farmers, government, retailers, buyers etc. System gets connected to all other government databases using UID where all the required information of land, soil nutrients etc. are already available. Instead of depending on their own instinct or some neighborhoods, farmers get more and accurate options for crops, fertilizers, pesticides, and equipment. Government can collect data regarding current crop scenario, production of different crops etc. Provides a quick decision for pest control.

#### **CONCLUSION**

There are many success stories all over the world. But application of e governance assumes so many conditions. What is required is a building the bridge between citizen demands and smooth application of IT for efficient e-Governance. The potential of farm management system is limitless. Proposed model tries to cluster a complete set of services in an integrated manner whichputs farmers in center of the decision making.

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# ARE THE CONSTITUTIONAL PROVISIONS OF THE SUPREME AUDIT INSTITUTIONS INDEPENDENCE SHIELDED?

### AN ANALYSIS OF TANZANIA AND INDIA NATIONAL AUDIT OFFICES

# David S. Lwechungura,

Auditor, NAO, United Republic of Tanzania. David S. Lwechungura, is a PhD Scholar at Gujarat Technological University. NICM, Gandhinagar. Mob: +919409465325

E-mail: dstephen73@gmail.com,

# **ABSTRACT**

Supreme Audit Institution (SAIs) is legal body headed by the Controller and Auditor General (CAG) with multifaceted mandates of appraising government revenue collection, expenditure management and effective public service delivery for the public benefit. The powers, mandates and responsibilities of SAIs in Tanzania and India are stated within their respective constitutions with common endeavor of holding governments accountable through audit assurance to the legislatures and, the general public. However, there have been debates among intellectuals, political analysts and international community about their independence from legislatures and executives' interruption during execution of their powers and mandates. About four decades since the resolution of the Lima Declaration was held to call for independent government auditing, SAIs independence remained a blazing issue within the INTOSAI community. Powers and mandates sanctioned to them are considered more hypothetical than literal. For effective auditing of public funds and other resources we need independent SAIs, legitimately secured under rule of law and democracy and appropriate correlation with authorities responsible to hold the public sector accountable to promote good governance. However, SAIs are constrained by narrow mandates, inadequate funds, skilled staff and tools. Constricted view of theoretical constitutional independence provisions of SAIs can easily conclude that their independence is legitimately protected. Scrutiny of the current SAIs' legitimate independence provisions and actual best practices of both countries reveals several flaws against them by either being half-done or fullytossed in most aspects. Contemporarily, CAG is like a referee with no ruling authority and a lobbyist with no right of appeal. Let us change; CAG is neither a police nor a fault founder as wrongly perceived by the majority rather than a technical consultant and a philosopher. CAG is an irreplaceable, singular-exclusive being in the eyes of the general public for effective public service delivery, accountability and good governance.

Kev words: Supreme Audit Institutions, accountability, good governance, independence of SAIs; constitutional provisions and protection; powers, mandates and responsibilities.

#### INTRODUCTION

Transparency, accountability and value for money are essential elements for effective Public Financial Management (PFM) globally. It is the responsibility of the respective government to ensure proper custody of revenue collected and effective spending of taxpayers' money to bring about good governance. Supreme Audit Institutions (SAIs) are constitutional institutions headed by the Controller and Auditor General (CAG) with multifaceted mandates of appraising and reporting on government revenue collection and expenditure for the public benefit. They are the only independent source of reliable information on public sector performance available to the public. In Tanzania, the office of CAG is a constitutional institution established under article 143 of the constitution of the United Republic of Tanzania (1977) as amended from time to time. In India the office of the Comptroller and Auditor General (CAG) is also a constitutional institution established under article 148 of the Union government of India (as modified 1st December, 2007). The main aim of the SAIs is to emphasize accountability and good governance by holding the government accountable by providing an audit assurance to the legislatures then, to the general public through examination of both revenue collection and expenditure management and effective public service delivery. The notion and establishment of audit is inherent in public financial administration as the management of public funds represents a conviction. Auditing is not an end in itself but an essential part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent and/or at least render more difficult for such breaches (Lima Declaration, 1977). However, there are considerable ongoing debates about the current situation of the independence of the Supreme Audit Institutions (SAIs) in effecting their mandates and pursuing their statutory responsibilities in both the developed and developing countries.

The powers and mandates of the SAIs in both countries are clearly stated within their respective constitutions with the respective acts thereon together with the procedures of obtaining the heads of SAIs, their removal, reporting paths and relationship with other legal authority for public sector performance administration. Based on this one can swiftly conclude that there is no need to doubt about the SAI's independence. Nevertheless, intellectuals and political analysts doubt about the independence of the SAIs from interruption of the legislatures and other government executives during execution of their powers and mandates. It is argued that powers and mandates sanctioned to the SAIs are more imaginary than factual. The actual functioning relationship between the SAIs and their respective governments – (funding, manning procedures, working tools and environment, audit powers on Public Authorities and other Government funded bodies reporting and enforcement of the audit findings) together are what raises several queries about their independence. CAG is a fundamental part for the effective accountability and good governance. This sounds if there is proper correlation between the legitimate institutions sanctioned with powers to hold the public sector accountable. For an effective and efficient auditing of public funds and other non financial resources to promote accountability and good governance we need independent SAIs protected in the legislations under two pillars of the Lima Declaration and

essential premises for authentic independent government auditing – democracy and rule of law. Both India and the United Republic of Tanzania are democratic countries of multiparty systems. However, situations are different. In many poor countries the SAIs simply lack the capacity to fulfill their functions. They are under funded, understaffed, under skilled, and constrained by very narrow mandates. (World Bank, 2001)

# Objectives of the research

This paper analyses the independence of the SAIs of Tanzania and India from legislatures and executives in pursuing their statutory powers and mandates as affirmed by their constitutions together with their espective acts based on secondary sources of information and best practices. Section one is an introduction, section two is a literature survey, section three is the research approach adopted, section four is the discussion of the current situation, section five are recommendations and occlusion and section six are limitations experienced by the researcher.

#### LITERATURE SURVEY

This part reviews the available evidences from both primary and secondary sources of information to testify the independence of SAIs in both countries. In most of the Commonwealth countries the National Audit Office (NAO) is a constitutional authority known as Supreme Audit Institution (SAI) headed by the CAG. The SAI of Tanzania is established under the article 143 of the constitution of the United Republic of Tanzania of 1977 as amended from time to time. Its main role is viewed as a safeguard intended to maintain the financial integrity and corporate governance of the United Republic. Similarly in India the SAI is established under Chapter V - Article 148 of the constitution (as modified 1<sup>st</sup> December, 2007). The main role is viewed as to bring about transparency, accountability and probity in public life. The mandates of the Tanzania's SAI are stated under Article 143 of the constitution of the United Republic of Tanzania whereas their powers and mandates are clearly stipulated in sections 11 and 12 of the Public Audit Act No. 11 of 2008. The duties and powers of the SAI of India are stated in Chapter V of Part V of the constitution of India through Articles 148 to 151 and elaborated in the CAG's (Duties, Powers and Conditions of Service) Act, (1971). However, despite such powers and mandates sanctioned to these legitimate authorities, there have been substantial debates among intellectuals, political analysts and international community concerning the independence of the SAIs from either direct or indirect interruption of the legislatures and government executives during execution of their statutory powers. It is claimed that some of powers and mandates sanctioned to the CAG are more theoretical than literal due to the actual subsisting situations within the corridors of political powers.

### Are the Constitutional Provisions of the CAG Independence Preserved?

Probably the answer to this question should be either Yes or No with respective reasons. It is obvious that based on the current legislation provisions of both countries the answer to this question from academicians, social and political analysts and the general public is no. Nevertheless most of the legislators and executives would speak out conversely. Thus the SAIs are independent in pursuing their statutory powers and mandates underneath of the different motives as explained hereunder:

# Appointment of the head of the SAI (CAG) and tenure of the office

Within both countries CAG is a presidential appointment of the ruling party. As per section 4 of the Public Audit Act No. 11 (2008), the CAG in Tanzania is appointed by the President of the URT for the term of five (5) years renewableonce. Tenure of the CAG is up to the retirement age of 65, (Sect. 6 Public Audit Act of 2008). As per article 148 (1) of the constitution of India the Comptroller and Auditor-General of India is appointed by the President of India following a recommendation by the Prime Minister. Tenure of the CAG is for a term of six years from the date on which he assumes such office or up to the retirement age of 65 whichever the earlier. (Sec. 4 CAG's (Duties, Powers and Conditions of Services) Act, 1971).

# Removal of the CAG from the Office

According to section 7 of the Public Audit Act No. 11 of 2008 and article 144-(2) Constitution of the United Republic of Tanzania, the CAG can only be removed from the office upon recommendations of the special tribunal of at least 3 Commonwealth member country judges appointed by the president that the CAG may be relieved of his responsibilities due to office misconducts or health matters. Articles 124 (4) and 148 (1) of the constitution of India recites that the CAG can be removed from his office by a majority voting of two thirds of the members of the Parliament present in the session on the ground of proved misbehavior or incapacity.

# Audit Powers and Mandates of the SAIs

The powers and mandates of SAIs of Tanzania and India are primarily stated under their respective constitutions. For Tanzania they are principally affirmed under article 143 of the constitution of the united republic. The legitimate mandates of CAG are clearly specified in section 5 of the Public Audit Act No. 11 of 2008 whereas their powers are clearly stipulated in sections 11 and 12 of the Public Audit Act no. 11 of 2008. Based on these the CAG have mandates to authorize use of money from the Consolidated Fund and audit of all government entities inside and outside the country and donor funded projects with unrestricted access of books of accounts and any other information relevant to their audit duties. They are powered to make recommendations for the purpose of preventing or minimizing unproductive expenditure of public monies; maximizing the collection of public revenues and averting loss by negligence, carelessness, theft, dishonesty, fraud, corruption relating to public monies and resources. The powers and mandates of the CAG of India are avowed in Chapter V of Part V of the Constitution of India under Article 149 and clearly elaborated under chapter III of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. With these provisions the CAG is powered to access to the information, books and accounts of any government institution as per the scope of his audit powers stated by the constitution and respective Act. Their audit powers include all expenditure from the revenues of the union or state governments, whether incurred within India or outside; Bodies or authorities substantially financed by government; government companies, etc. However, based on some sections of the same Act the audit powers of the SAI are limited. The CAG have to request approval or wait for the desire of the respective authorities for auditing some public entities receiving funds from the Consolidated Fund of the country. (Sec. 14, 15, 19 and 20 of CAG's (DPCS) Act, 1971).

# Reporting Paths

Section 11 (4) of the Public Audit Act No. 11, (2008) and article 143 (4) of the constitution of the United Republic of Tanzania (1977) together require statutory audit reports to be tabled to Parliament through the president of the URT. In case of any delays by the president the CAG shall forthwith submit a copy of the reports to the Speaker who shall lay it before the National Assembly and become public. Section 19 of the CAG's (Duties, Powers and Conditions of Services) Act, 1971 and article 151 of the Indian Constitution together oblige the reports of SAI on Union to be submitted to President for being laid in the Parliament; whereas State reports are to be submitted to the respective State Governor for laying them in State Legislature although, it is not clearly put in plain words in case of any delays by the respective executives what other alternatives can be taken.

# Relationship between the SAI and the Parliament

The SAI and the Parliament in both countries are important and unified legitimate authorities with a common role - to oversee the governments for improved accountability and good governance. In Tanzania, Sect. 38 of the Public Audit Act No. 11 of 2008 brings about the working relationship between the office of CAG and the Parliamentary Oversight Committees. It requires the three committees - Public Accounts Committee (PAC), Local Authorities Accounts Committee (LAAC) and Parastatals Organisations Accounts Committee (POAC) to discuss reports of the CAG accordingly after they have been tabled in the National Assembly, then submit to the National Assembly reports of their observations which may include comments and recommendations and/or impose surcharge to Accounting Officers found to have breached the law/regulations. Sect. 44 charges the PAC with the responsibility of discussing the budget of the Office of CAG in consultation with the Minister of Finance then to recommend such budget for the appropriation of the Parliament. Sect 46 gives the Committee the mandate to appoint an external auditor to audit the accounts of the office whose report ultimately finds its way to the National Assembly. In India, the oversight committees- the Public Accounts Committee (PAC) and the Committee on Public Undertakings (COPU) have direct relationship with the SAI. Both committees have responsibilities of examining the reports of the CAG of their respective jurisdiction; The PAC has powers over the CAG reports on the Government Departments whereas the COPU deals with the public sector undertakings reports. After their scrutiny, the oversight committees present their report to the Parliament/ State Legislature with their observations and recommendations. However, in both countries the oversight committees' hearings are always held secretly to the public, so the public remains without a clue about their activities. The enforcement of the SAI's audit findings rests to the Parliament through directives to the government executives on the basis of the oversight committees' observations and recommendations.

### RESEARCH DESIGN AND TECHNIQUES

This research was designed as a comparative single case study to allow a variety of data collection about Tanzania and India SAIs based on secondary sources of data. Both qualitative and quantitative research techniques were adopted.

### FINDINGS (WHAT IS THE ACTUAL SITUATION)

We need an independent SAI protected in the legislations under best practices of democracy and rule of law, committed government executives and political will for an effective and efficient auditing of public funds and other non financial resources to promote accountability and good governance. Rule of law and democracy are, therefore, essential premises for really independent government auditing and are the pillars on which the Lima Declaration was founded. Both India and the United Republic of Tanzania are democratic countries of multiparty systems. However, although it is almost four decades since the resolution of the Lima Declaration that was held to call for independent government auditing, the issue of the independence of SAIs is a persisting causerie within the INTOSAI community. Despite the legal provisions of the powers, mandates and independence of the SAIs within both countries there are some areas/matters that have been deemed by the intellectuals and social and political analysts that the independence of such important legitimate authority is retracted by the respective governments for reasons not clearly known.

# Independence of SAIs

According to The Lima Declaration of Guidelines on Auditing Precepts, SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. Section 5 (2) of the declaration necessitates SAIs to have the functional and organisational independence required to accomplish their tasks whereas Section 5 (3) requires their establishment and the necessary degree of their independence to be laid down in the Constitution with guaranteed adequate legal protection by a supreme court against any interference with their independence and audit mandates. To some good extent, this is complied with by government of the URT. The immunity of the CAG from legal proceedings is clearly stated under section 14 of the Public Audit Act No.11 of 2008. It protects them from action or any other proceedings against them in respect of the findings of any audit examination or inspection carried out by them in good faith. On the other hand, unless written within other legislations there is no constitutionalmmunity of the CAG of India from legal proceedings within both the constitution and the CAG's (Duties, Powers and Conditions of services) Act, 1971. This has subjected them to pillory challenges from both individuals and government executives. For instance, in the Madras High Court in 2005the CAG was challenged just for holding a news conference on one of their audit report (The 2G) in the P.G. Narayanan vs. CAG case (W.P.No.23408 of 2004 [2005] RD-TN 714), which however ended by the High Court upholding the right of CAG and its functionaries to brief the media on the contents of reports prepared by them and presented before the relevant Legislature as only way to make the public know about the same.

### Financial Independence of SAIs

Both of The Lima Declaration of Guidelines on Auditing Precepts, (1977) and the Mexico Declaration on SAI Independence together emphasize the financial independence of the SAIs and the availability of appropriate human, material, and monetary resources. Section 7 of the Lima Declaration calls for SAI to be provided with the financial means, be entitled to apply directly for the necessary financial means to the public body deciding on the national budget and be entitled to use the funds allotted to them under a separate budget heading as they deem fit to enable them to accomplish their statutory tasks. Whereas Principle 8 of the Mexico declaration stresses the availability of monetary resources for the SAI — and to have the right of direct appeal to the Legislature if the resources provided are insufficient to allow them to fulfill their powers and mandates. This is partially complied with by the government of India whereby the CAG expenses are charged (without parliamentary vote) to the Consolidated Fund of India. However, there exist massive confusions between the legislations and the executives. Although there is no clear distinction between the SAI and their executive department (IA&AD) within the Constitution, there is a deliberate and detrimental underground distinction between them and their executive department imposed by the Government of India. While the CAG's budget is not subject to Parliamentary vote, the budget of the IA&AD is subjected to regular parliamentary vote and slashes and personnel recruitment forbids. Neither is the CAG allowed to clear up the IA&AD's establishment costs from government programmes nor does he have the authority to directly hire domain specialists and/or support staff on his own. It is an act of driving a motor vehicle with separated engine from chassis. In Tanzania it is even more than worse. The CAG funding depends on the grace of the Treasury while their budget is subject to parliamentary vote. It is clearly stated under Section 41 (2) of the Public Audit Act No.11 of 2008 that the funds for the office of CAG from time to time appropriated by Parliament shall be paid by the Treasury out of the Consolidated Fund. Section 44 (1) orders the CAG to prepare and present estimates of the revenues and expenditure of the office to consultative meeting of the Minister and the PAC before being submitted to the National Assembly for approval. This has been limiting their audit scope and number of audits. Tanzania is grouped under countries whose executive and the funding level of the SAIs is not consistent with the resources needed to fulfill their mandates. While India is grouped under countries whose executive and the funding level of the SAIs is broadly consistent with the resources needed to fulfill their mandates. (The Open Budget Index Report, 2006)

### Independence of SAI on Human and Material acquisition

Principle 8 of the Mexico declaration emphasizes the availability of necessary and reasonable human and material resources and that the executive should not control or direct the access to these resources to enable SAIs to fulfill their mandates. Although it is deemed that the executive and funding levels in India are consistent, there exists some restrictions whereby is the CAG is not permitted to recover the IA&AD's establishment costs from government programmes or to directly hire domain specialists and/or support staff on his own. In Tanzania it is really confusion. It is clearly stated under section 24 of the Public Audit Act No. 11 of 2008 that under laws governing employment in the public service in the URT, the CAG shall employ, appoint, promote and control discipline of such number and categories of officers to assist him in the performance of the functions and responsibilities of his powers. To the contrary, CAG has no power to employ at his own capacity rather than requesting personnel from the respective government authority. This

situation has been limiting them from accomplishing their statutory responsibilities due to inadequate manning levels, material and monetary resources to the SAI.

# Independence of the members and officials of SAIs

Section 6 (2) of the Lima Declaration calls for the constitutional guarantee of the SAI members and officials independence together with clear procedures for removal from office in order not to impair their independence. According to section 7 of the Public Audit Act No. 11 of 2008 and article 144 (2) – (5) of the Constitution of the United Republic of Tanzania, the CAG can only be removed from the office by the recommendations of the special tribunal of at least 3 Commonwealth member country Judges appointed by the president that the CAG may be relieved from his responsibilities due to office misconducts or health matters. With this situation at least Tanzanians are assured that appointment and removal of the head of the SAI is not determined by political loyalty of a person to the government executives. For India, there are some political distresses guessed to be associated with such position. As per articles 124 (4) and 148 (1) of the constitution of India the CAG can be removed from his office by a majority voting of two thirds of the members of the Parliament present in the session on the ground of proved misbehavior or incapacity. Based on this it can be said that the independence of the Indian CAG is more risky. Their removal can just be a campaigned political motive of the parliamentarians. According to the Open Budget Index Report, 2006 India is grouped under countries whose heads of SAI can be removed from the office by the executive. Should they (CAG) work according to their constitutional mandates and INTOSAI standards, or according to the politicians and executives' wishes to retain their positions?

### Independence of the Audit Staff

Based to the wrong perception of the majority about the CAG (police, fault finder) – rather than philosopher and technical consultant, to some extent, the nature of the work itself is deemed to be a dangerous task. Hence a demand of motivating fringes and risk allowances for office members and employees. Section 14 (4) of the Lima Declaration (1977) necessitates commensurate salaries with the special requirements of such employment in order to ensure auditing staff of excellent quality and integrity. This is well complied with by the government of India. under article 148 (6) of the constitution whereby all salaries, allowances and pensions payable to or in respect of the persons serving in that office, are determined by the CAG and charged from the Consolidated Fund of India. To the contrary, in Tanzania the CAG compensations are still determined by the Public Services Secretariat under administration of executives and relevant legislature and regulations governing public service. It goes together with inadequate independence of the audit staff of SAIs contrary to Section 6 (3) of the Lima Declaration (1977) that requires staff of SAIs not be influenced by the audited organisations and/or to be dependent on such organisations in performing their professional careers. There are still some regions and ministries where the staff of the SAI shares some resources - office buildings with the audited entities as a result of inappropriate availability of material and monetary resources to the SAI.

### Audit Powers of SAIs on Public Authorities and other Government funded bodies

This is perfectly complied with by the government of Tanzania. It is clearly stated by article 143 of the constitution and sections 9 and 30 of the Public Audit Act No. 11 of 2008 and proved by best

practice. The SAI is further empowered by section 29 of the Public Audit Act No. 11 of 2008 to undertake any other types of audits including special audits on request by any person, or as they may deem necessary. The situation is different in India whereby the SAI have been sanctioned partial audit powers on Public Authorities and other Government funded bodies. Sections 14, 15, 19(3) and 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, (1971) curtails their mandates to authorities substantially funded by governments from the Consolidated Fund of India. Section 14(2) of the Act orders the CAG to have approval of the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly for auditing body or authority financed by grants from Consolidated Fund; based on Section 15(2) of the Act, the CAG can be robed his audit mandates where an organization's Act adapts to specifically appoint an organization other than the CAG for its audit whereas by sections 19 and 20 of the same Act the CAG have to be tolerant, waiting (no matter of number of years) for the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly desire to call for audit some of the organizations who receive large government funding and/or are involved in exploitation of vast national natural resources. This is contrary to section 18 (3) of the Lima Declaration (1977) that necessitates all public financial operations, regardless of whether and how they are reflected in the national budget, to be subject to audit by SAIs. Thus, excluding parts of financial management from the national budget shall not result in these parts being exempted from audit by the SAI.

# Enforcement of SAI Audit Findings

The SAIs of both countries are obliged to submit their statutory audit reports to their respective Parliaments and/or State Legislatures to which they are then scrutinized and discussed by the respective oversight committees which then present their report to the Parliament/ State Legislature with their observations and recommendations about all concerns raised by the SAI. Nevertheless, enforcement of such audit findings and recommendations thereon rests to the Parliament/ State Legislature through directives to the government executives on the basis of the oversight committees' observations and recommendations. (... Tanzania Chapter 418...) This is contrary to Section 11 of the Lima Declaration (1977) that requires the audited organisations to comment on the findings of the SAI within a period of time established generally by law, or specifically by the SAI, and shall indicate the measures taken as a result of the audit findings. It further requires that to the extent the SAI's findings are not delivered as legally valid and enforceable judgments, the SAI to be empowered to approach the authority which is responsible for taking the necessary measures and call for the accountable party to accept responsibility. With the current set-up, CAG is a petitioner with no right of appeal.

### RECOMMENDATIONS AND CONCLUSION

#### Recommendations

With constricted view based on theoretical constitutional independence provisions of SAIs one can easily conclude that SAI's independence is legitimately secured. But it is now clearly renowned about the meagerness of current constitutional provisions of the SAIs' independence and the actual best practices within both countries. There are several flaws against them by either being half-done or fully tossed in different aspects. Some are too solemn hence need to be addressed immediately while others need just keeping them into effect. It is recommended for both countries

to consider amending either their constitutions or respective acts in view of all identified imperfections to enable the SAIs to execute their statutory mandates effectively.

- 1. India should deliberately consider inter alia: legitimate immunity of the CAG from legal proceedings against them with respect to their audit duties; non segregation of the SAI from their executive department; extension of audit powers of the SAI and well set procedures for removal of the head of the SAI in case it happens.
- 2. Tanzania they should consciously consider financial independence— the SAI's expenses to be charged to the Consolidated Fund whereas their budget is free from executives' management; self acquisition of human and material resources and audit staff independence.
- 3. Let both countries' legislatures consider treating the Supreme Audit Institutions same as the Supreme Courts in all aspects; involvement of the SAIs in enforcement of their audit findings and improving the theoretical and practical professional development of all members and audit staff of SAIs.

#### **CONCLUSION**

It is now unequaled that SAIs are exposed to undue political influence. However, for the sake of accountability and good governance, there is no way governments can get rid of them. We need an independent SAI protected in the legislations under best practices of democracy and rule of law, committed government executives and political will for an effective and efficient auditing of public funds and other non financial resources to promote accountability and good governance. With the current arrangement, CAG is like a referee with no ruling authority and a lobbyist with no right of appeal. Let us change; CAG is neither a police nor a fault founder as wrongly perceived by the majority rather than a technical consultant and a philosopher. CAG is an irreplaceable, singular, exclusive being in the eyes of the general public for effective public service delivery, accountability and good governance.

#### RESEARCH LIMITATIONS

During the study there were a number of setbacks that could not allow the smooth conduction of the research. The following were the most challenges encountered by the researcher:

- 1. Communication barriers (languages) some materials from India were written in languages other than English hence the researcher had to look for translators.
- 2. Timeframe limitations some respondents were not punctual while other data could not be obtained on time.
- 3. Busy people were very cautious with their time.
- 4. Restriction to access of some relevant data.
- 5. Insufficient research resources including physical reading materials and financial.
- 6. Respondent's reluctance to answer some questions asked by researcher about things they considered private.
- 7. Ignorance of some respondents— within both countries still there are some people who are totally unaware of the SAI and their functionalities.

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### IMPLICATION OF E-GOVERNANCE AND DATA SECURITY

Mihir Mehta ME (CE) Student **GTU** M. 8905735795 HGCE , Vahelal Mihir240491@gmail.com

Vinit Kumar Gupta Assistant Prof. **GTU** 9510089036 HGCE, Vahelal guptasvnit@gmail.com

**IndrJeet Raipt** Assistant Prof. **GTU** 9662613960 HGCE, Vahelal Indra.rajput@gmail.com

### **ABSTRACT**

E-governance is the application of information and communication technology in government services. The government services should be available to the citizens in a convenient, efficient and transparent manner. It is two way communication protocols. The essence of E-governance is to reach the beneficiary and ensure that the services intended to reach the desired individual has been met. It is not really the use of IT in governance but as a tool to ensure good performance. It does not mean proliferation of computers and accessories. It is basically a political decision which calls for discipline, attitudinal change in officers and employees and massive government process re engineering. E-Governance is the application of Information and Communication Technology(ICT) for delivering government services, exchange of information communication transactions, integration of various stand-alone systems and services between Government-to-Citizens (G2C), Government-to-Business(G2B) and Government-to-Government [3]. Its main goal is to improve and/or enhance on the efficiency and effectiveness of service delivery in the public sector. E-governance allows for government transparency. E-Governance helps to simplify processes and makes access to government information more easily accessible for public sector agencies and citizens. Due to the advances made in ICT E-Governance users can access the required services at any time; any where via WWW browser. So to provide required data and services safely to the particular recipient is crucial in E-Governance. We can use various cryptographic algorithms like substitution ciphers and transposition techniques for providing data security in E-Governance. This paper presents brief introduction about what is E-Governance, scope of E-Governance, its advantages— disadvantages and about cryptographic algorithms which can be used for providing data security.

Keywords— E-Governance, E-Government, Data security, Cryptography, Encryption, Decryption,

### Introduction

The actual term governance comes from an ancient Greek word, kebernon, which means to steer. In current usage, to govern means to steer, to control, and to influence from a position of authority. According to Former Secretary General of the United Nations: Kofi A. Annan, "Good governance is perhaps the single most important factor in eradicating poverty and promoting development." Therefore, governance is an exercise of power for steering social systems, as well as a process by which organizations are directed, controlled, and held to account to their society. It is a set of the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization. E-Governance involves new styles of leadership, new ways of debating and deciding policy and investment, new ways of accessing education, new ways of listening to citizens and new ways of organizing and delivering information and services [1], e- Governance is defined as "E-governance is the application of information & communication technologies to transform the efficiency, effectiveness, transparency and accountability of informational & transactional exchanges with in government, between govt. & govt. agencies of National, State, Municipal & Local levels, citizen & businesses, and to empower citizens through access & use of information". In other words e- Governance is the implementation and delivery of government services through the information communication technology to provide transparent, efficient, effective and reliable governance to the society [2]. Good governance has eight major characteristics i.e. *Participation*, Transparency, Effectiveness, efficiency, Responsiveness, Accountability, Equity and inclusiveness [2]. If all these properties revolve around the ICT will explains innovative definition of egovernance as in figure1. This means e-Governance has all theabove properties as well as innovative Information and communication Technology for the effective and efficient governance in any sector which assures that corruption is to beminimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsible to the present and future needs of society. A conceptual model for e-Governance is shown in figure-1 which explains about the interrelation between citizens, government and the services accessed by the citizen's through information and communication technology followed by the major characteristics of good governance.

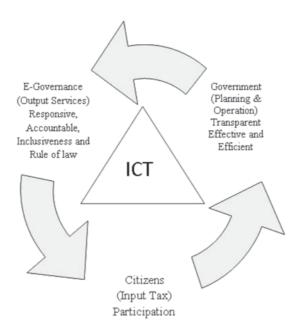


Figure 1: Conceptual model of E-Governance [1]

Data security means protecting a database from destructive forces and the unwanted actions of unauthorized users. The overall goal of data and information security is to control and guide to human behaviour in an attempt to reduce the risk to information assets by deliberate attempts.

We have presented various Encryption techniques which can be used for Data and Information security. Data Security will help the user to control and secure information from inadvertent or malicious changes and deletions or unauthorized disclosure. To provide data security, data can be stored in encrypted form in database. During transmission of data from sender side to the receiver side, cipher techniques can be applied to data so data will be converted in unreadable form so intruders cannot access the actual data. We can also apply transposition techniques during data delivery from source to destination for providing data security. In transposition technique like rail-fencing, rearrangement of alphabet words taking place so indexes will be changed of all alphabet characters.

#### **E-GOVERNANCE**

E-Governance is the application of Information and Communication Technology (ICT) for delivering government services, exchange of information communication transactions, integration of various stand-alone systems and services between Government-to-Citizens (G2C), Government-to-Business (G2B) and Government-to-Government [3]. Through the e-Governance, the government services will be made available to the citizens in a convenient, efficient and transparent manner. The three main target groups that can be distinguished in governance concepts are Government, citizens and businesses/interest groups. In E-Governance there are no distinct boundaries [4]. Generally four basic models are available-Government to Customer (Citizen), Government to Employees, Government to Government and Government to Business [3].



Figure 2: Dimension of E-Governance

# GOVERNMENT TO CITIZEN (G2C) [3]

G2C will aim at connecting citizens to government by talking to citizens and supporting accountability, by listening to citizens and supporting democracy, and by improving public services. It will involve better services to the citizens through single point delivery mechanism and will involve areas like:

#### E-Citizen

Under e-citizen integrated service centers will be created. The purpose of these centers will be to take over the various customer services in due course. It will offer services like issue of Certificates, Ration Cards, Passports, Payment of Bills and taxes etc. These centers will become one-stop Government Shops for delivery of all services.

# E-Transport

The transport aspects that can be easily e-governed include: Registration of motor vehicles, Issue of driving licenses, Issue of plying permissions(Permits), Tax and fee collection through Cash and Bank Challans and Control of Pollution.

# E-Medicine

It will involve linking of various hospitals in different parts of the country and provide better medical services to the citizen.

#### E-Education

E-Education will constitute various initiatives of educating the citizen and the Government with the various Information technologies.

### E-Registration

E-Governing the registration and transfer of the properties and stamp duty to be paid thereon will bring substantial reduction of paper work and reduce the duplicating of entries. Further the transparency in work will increase and the overall time of process registration will reduce.

# CONSUMER TO GOVERNMENT (C2G) [2][3]

C2G will mainly constitute the areas where the citizen interacts with the Government. It will include areas like election when citizens vote for the Government; Census where he provides information about himself to the Government; taxation where he is paying taxes to the Government.

#### E-Democracy

The E-Democracy is an effort to change the role of citizen from passive information giving to active citizen involvement. In an e-democracy the Government will be informing the citizen, representing the citizen, and encouraging the citizen to vote, consulting the citizen and engaging

the citizen in the Governance. Taking the citizensinput about the various government policies by organizing an e-debate will furtherstrengthen the e-democracy. The concept of e-debate is similar to chat over the Internet, wherein not only the citizens but also the political leaders contesting theelections participate. The citizens give their feedback about the various policies of theparties and particularly the manifesto of the party. The initiative will furtherstrengthen the process by enhancing the representative role, improving accessibility of citizens to their elected members and developing the capacity of electedrepresentatives to engage in e-government. Elected members will also be provided with access to the local authority's Intranet and e-mail systems so that they become available online for decision making and people can easily access them.

# GOVERNMENT TO GOVERNMENT (G2G) [3]

This can also be referred as *e* -Administration. It involves improving government processes by cutting costs, by managing performance, by making strategic connections within government, and by creating empowerment. It will involve networking all Government offices so as to produce synergy among them. The major areas are:

#### E-Secretariat

Secretariat which is the seat of power has a lot of valuable information regarding the functioning of the State. The cross-linking of various departments and exchange of information amongst various components will simplify the process of Governance.

#### E-Police

E-Police will help to built citizen confidence. There will be two databases. One of police personnel and the other of criminals. The database of personnel will have the records of their current and previous postings. This will help to track policemen specialized in certain geographical regions and skills. Take for example, we want to look for a forensic expert. The database within seconds gives the list of all forensic experts. The same database will give the track of their details like service record, family background etc which will also be helpful in intelligent posting and promotion of personnel.

The second database will be of criminals. This database has to be upgraded to national database for its total utility. By just typing the name of a criminal a police officer will be able to know the details of his past activities, including his modus operandi and the area of operation. Further a database like this will help tap the criminals easily for all the police stations will have simultaneous access to their record. The module will also include G2C activities like online filing of FIR's, finding the case status of an FIR. Creating a database of Lost and Found can assist further lost and found of valuables and individuals.

#### E-Court

The pending court cases in India have brought the legal system to a halt. Not only the consumers are asking for thechanges in the administration, but also the system will collapse if it continues in this manner. IT can transform the system and bring in the court cases to a level of zero dependency. Creating a database of cases can do the same. In fact such a system will help to avoid all the appeals to High Courts and Supreme Court, for the Judges can consider the appeals from an intranet wherein the case remains in the same district court but the Higher Court gives their decision online based on the recorded facts of the case. Such a step will not only help the citizens but will also reduce the backlog of cases. Further the use of IT in the areas like recording of court proceedings, high resolution remote video to identify fraudulent documents, live fingerprints scanning and verification, remote probation monitoring, electronic entry of reports and paper work will further speed up the court proceedings.

# GOVERNMENT TO BUSINESS (G2B) [3]

#### E-Taxation

This will constitute the various services a business house needs to get from the Government, which includes getting licenses etc. In a similar scenario, it can also flow from a business house to the Government as in the case of procurements, from such business houses by the Government. This will become a B2G service.

#### ISSUES FOR E-GOVERNANCE

**Funding:** Funding is the foremost issue in e-Governance initiatives. The projects that are part of the e-governance initiatives need to be funded either through the Government sector or through the private sector.

Management of Change: The delivery of Government services through the electronic media including EDI, Internet and other IT based technologies would necessitate procedural and legal changes in the decision and delivery making processes. It demands fundamental changes in Government decision management. The employees need to be delegated more authority. Delayering of the decision-making levels leads to re engineering and appropriate sizing of the decision-making machinery. These changes need not only be accepted by the Government and citizens but also be accepted by various interests groups like Employees unions.

**Privacy:** The privacy of the citizen also needs to be ensured while addressing the issues. Whenever a citizen gets into any transaction with a Government agency, he shells out lot of personal information, which can be misused by the private sector. Thus, the citizen should be ensured that the information flow would pass through reliable channels and seamless network.

**Authentication:** Secured ways of transactions for the Government services are another issue of concern. The identity of citizens requesting services needs to be verified before they access or use the services. Here digital signature will play an important role in delivery of such services. But the infrastructure needed to support them is very expensive and requires constant maintenance. Hence a pertinent need still survives, compelling the authorities to ensure the authenticity in their transactions thereby gaining absolute trust and confidence of the citizen.

*Interoperability:* A major design issue for integrated service delivery sitesis how to capture data in a Web-based form and transfer it to an agency's systems for processing and sharing that information in a common format. In fact the interoperation of various state Governments, the various ministries within a state Government is a critical issue.

**Delivery of services:** The ability of citizens to access these services is another major issue. Since the penetration of PCs and Internet is very low in the country, some framework needs to be worked out for delivery of the e-Services that would be accessible to the poorest of the poor.

Use of local languages: The access of information must be permitted in the language most comfortable to the public user, generally the local language. There do already existing technologies such as GIST and language software by which transliteration from English into other languages can be made.

# Difference between E-Governance and E-Government

E-Government is one way communication protocol whereas E-governance is two-way communication protocol. E-governance is by the governed, for the governed and of the governed.

"Government's foremost job is to focus society on achieving the public interest."[4]

"Governance is a way of describing the links between government and its broader environment political, social and administrative."[4]

# Advantages of E-Governance [5]:

- 1. It greatly simplifies the process of information accumulation for citizens and businesses.
- 2.It empowers people to gather information regarding any department of government and get involved in the process of decision making.
- 3. It strengthens the very fabric of democracy by ensuring greater citizen participation at all levels of governance.
- 4.E-Governance leads to automation of services, ensuring that information regarding every work of public welfare is easily available to all citizens, eliminating corruption.
- 5. This revolutionizes the way governments function, ensuring much more transparency in the functioning, thereby eliminating corruption.
- 6. Proper implementation of e-Governance practices make it possible for people to get their work done online thereby sparing themselves of unnecessary hassles of travelling to the respective offices.
- 7. Furthermore, introduction of e-Governance brings governments closer to citizens. So much so that today it becomes extremely convenient to get in touch with a government agency. Indeed, citizen service centres are located closer to the citizens now. Such centres may consist of an unattended kiosk in the government agency, a service kiosk located close to the client, or the use of a personal computer in the home or office.
- 8.E-Governance practices help business access information that might be important for them at a click.

9. Cost reduction -Internet and Phones makes communication cheaper saving valuable money for the Government.

# Disadvantages of E-Governance [6]:

### Lack of equality:

The main disadvantages concerning e-government is the lack of equality in public access to the internet, reliability of information on the web, and hidden agendas of government groups that could influence and bias public opinions.

# **Hyper-surveillance:**

Increased contact between government and its citizens goes both ways. Once e-government begins to develop and become more sophisticated, citizens will be forced to interact electronically with the government on a larger scale. This could potentially lead to a lack of privacy for civilians as their government obtains more and more information on them.

#### Cost:

Although "a prodigious amount of money has been spent" on the development and implementation of e-government, some say it has yielded only a mediocre product. The outcomes and effects of trial Internet-based governments are often difficult to gauge or unsatisfactory

### **Inaccessibility:**

An e-government site that provides web access and support often does not offer the "potential to reach many users including those who live in remote areas, are homebound, have low literacy levels, exist on poverty line incomes."

#### **DATA SECURITY**

Data Security will help the user to control and secure information from inadvertent or malicious changes and deletions or unauthorized disclosure.

There are four aspects of data security:

**Confidentiality**: refers to protection of information from unauthorized disclosure e.g. to the press or to release through improper disposal techniques, or to those who are not entitled to have the same.

**Integrity**: is about protecting information from unauthorized modification, and ensuring that information, such as a beneficiary list, can be relied upon and is accurate and complete.

**Authentication**: Authentication is the process ofdetermining whether someone or something is, in fact, who or what it is declared to be.

Availability: is to ensure that the information is available when it is required to the intended parties.

We need secure communication channel between client and server in E-Governance. For achieving that we can use various cryptographic algorithms. There are mainly two types of cryptographic algorithms: Symmetric algorithms and Asymmetric algorithms.

#### **BASIC TERMS USED IN CRYPTOGRAPHY:**

#### **Plain Text**

The original message that the person wishes to communicate with the other is defined as Plain Text.

### **Cipher Text**

The message that cannot be understood by anyone or meaningless message is what we call as Cipher Text. In Cryptography the original message is transformed into non readable message before the transmission of actual message.

### Encryption

A process of converting Plain Text into Cipher Text is called as Encryption. Cryptography uses the encryption technique to send confidential messages through an insecure channel. The process of encryption requires two things- an encryption algorithm and a key. An encryption algorithm means the technique that has been used in encryption. Encryption takes place at the sender side.

# **Decryption**

A reverse process of encryption is called as Decryption. It is a process of converting Cipher text into Plain text. Cryptography uses the decryption technique at the receiver side to obtain the original message from non-readable message (Cipher Text). The process of decryption requires two things- a Decryption algorithm and a key. A Decryption algorithm means the technique that has been used in Decryption. Generally the encryption and decryption algorithm are same.

### Symmetric algorithms:

In symmetric Cryptography the key used for encryption is similar to the key used in decryption. Thus the key distribution has to be made prior to the transmission of information. The key plays a very important role in symmetric cryptography since their security directly depends on the nature of key i.e. the key length etc. A secret key, which can be a number, a word, or just a string of random letters, is applied to the text of a message to change the content in a particular way.

# Examples of Symmetric algorithms:

- 1. Ceaser Cipher
- 2. Monoalphabetic Cipher
- 3. Hill Cipher
- 4. Data Encryption Standard (DES)
- 5. 3-Data Encryption Standards (3-DES)

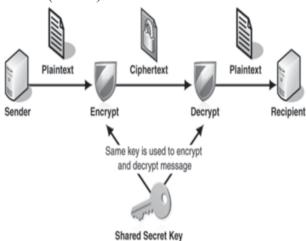


Figure 3- Symmetric Cryptographic algorithm[7]

# Asymmetric algorithms:

Public key cryptography also refers as Asymmetric cryptography requires two separate keys, one of which is private and one is public. The public key is used to encrypt the message and to verify the digital signature; whereas private key is used for decryption of cipher text or to create a digital signature.

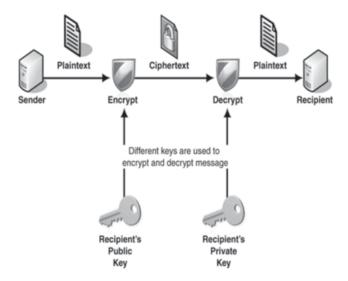


Figure 4: Asymmetric Cryptographic algorithm [8]

### Examples of Asymmetric algorithms:

- 1. Diffie Hellman algorithm
- 2. RSA
- 3. Digital Signature
- 4. Hash function
- 5. Message authentication code (MAC)

### Comparison of Symmetric cryptography and Asymmetric cryptography:

Symmetric cryptography	Asymmetric Cryptography
Same key is used for encryption as well as decryption of cipher text	Two keys are needed. Receivers' public key is needed for encryption at sender side and receivers' private key is needed for decryption of cipher text at receiver side.
Speed is fast	Speed is slower
Size of cipher text is usually same or less than size of key plain text	Size of cipher text is usually greater than size of key plain text
Key exchange is major problem	Key exchange is not a big issue
More storage space is required	Less storage space is required
It is also referred as Conventional or Secret key encryption	It is also referred as Public key Cryptography.

#### **CONCLUSION**

E-Governance is the use of a range of modern Information and Communication Technologies such as Internet, Local Area Networks, mobiles etc. by Government to improve the effectiveness, efficiency, service delivery and to promote democracy. E-Government can transform citizen service, provide access to information to empower citizens, enable their participation in government and enhance citizen economic and social opportunities, so that they can make better lives, for themselves and for the next generation. Most of countries use E-Governance so that all citizens can interact with the public administration at any time, from anywhere. Implementation of E-Governance can help to mitigate corruption from country and it also provides transparency in work flow of all government offices. Also security of data and private information of citizens is needed in E-Governance. So for providing Security we can use cryptographic algorithms.

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# SUSTAINABILITY AT WIPRO: A CASE STUDY

#### Harish Morwani

Asst. Prof. (MCA Department), Shri Chimanbhai Patel Institute, Ahmedabad E-mail: harishmorwani@gmail.com Cell No: 09924446340

# **ABSTRACT**

During the tumultuous times of 2007 2008, Wipro one of the IT behemoths launched green initiatives and decided to report their sustainability on GRI (Global Reporting Initiative) framework. The initiative was based on environment emphasizing principles of UN Global Compact. The idea was to capture the essence of triple bottom line (focus on people, planet and profit) principle. The company was first to launch green range of personal computers as it was aware of the protests on carbon footprints by NGO's and environmental watchdogs around the globe. Wipro had already earned a society savvy brand for them, courtesy their myriad CSR activities. The legislation agencies throughout the world were also framing several laws for recycling and disposal of e-waste to insist on eco-friendly practices amongst corporate.

In the turbulent environment of rigorous competition and unstable global economy, IT industry's growth was hindered. Wipro was also feeling the pinch but to a tapering extent as it had spent profoundly in green phenomenon since previous decade or so. Wipro won several accolades and awards for its environment friendly initiatives. It was applauded not only by ecologist fraternity but also its customers. The case study tries to highlight various green initiatives employed by Wipro and the repercussions of the same on company's operations. It also highlights the progress of Wipro in reducing the carbon emissions in 5 years.

**Keywords** – Green IT, E-waste, Green energy, Corporate Governance, Wipro Going Green, Corporate Sustainability etc

It is estimated that coral reef<sup>ds</sup> provide \$375 billion per year around the world in goods and services. If the present rate of destruction continues, 70% of the world's coral reefs will be destroyed by the year 2050." -

Source: coral.org and nature.org

Environment hampering issues like abrupt climate changes and extreme industrialization affecting ecology badly had been a major concern around the globe. Copenhagen Summit had strengthened the need for countries to initiate a legal framework to protect acts to minimise GHG (Green House Gas) emissions. Information and Communication Technology (ICT) sector had been a prime contributor in CO<sub>2</sub> footprints globally.

<sup>&</sup>lt;sup>1</sup> underwater structures and colonies of tiny animals containing few nutrients

Smart 2020 report mentioned that ICT sector can reduce global emissions by around 15% in 2020, through energy efficiency Bengaluru based Wipro Limited known for its myriad environment friendly initiatives launched "eco-eye" project in 2007 based on triple bottom line principle of sustainability which focuses on planet, people as well as profit.

Eco-Eye, the brain child of Mr. Azim Premji (Chairman, Wipro Limited) put Wipro, concerned about the ill effects of technology on ecology since a decade, on right track Wipro followed stakeholder engagement by including their employees, partners, customers as well as their supply chain in their noble initiative. But the question that needed to be answered was that can Wipro be a bellwether in achieving sustainability along with profitability in long run, orwas it just a marketing gimmick to get the "Eco Friendly Organization" tag? Would it be possible to change the mind-set of Indian corporates believing in sustainability rather than short-term growth?

### AN OVERVIEW OF INDIAN INFORMATION TECHNOLOGY SECTOR

The Indian IT sector surfaced in sixties in a hostile environment due to rigid government policies and concerns like sky-scraping import duties, poor IT infrastructure, dearth of skilledhuman resources etc. Tata Consultancy Services (TCS) was the foremost IT Company to start operations in 1968. In eighties, the sector got a boost due to reforms like liberalization in electronics sector, Industry recognition to software sector, avowal of New Computer Policy, import tariff reduction, etc.

In early 2000s, Government of Indiainitiated projecting IT as a sunshine sector of Indian economy by setting up Software Technology Parks (STPs), Special Economic Zones (SEZs), and Information Technology Investment Regions (ITIRs). Firms operating in these areas were offered various tax reforms. Various IT laws were legislated to regulate electronicand online transactions. In 2012, Indian Govt. approved National Policy on Information Technology 2012 aimed to augment the revenues of IT industry to US\$ 300 billion by 2020.

The IT & ITeS sect or comprised of four primary segments - Software products and engineering services, Business Process Management (BPM), IT services, and hardware. Software products segment dealt with software development. IT services provided an IT framework tostreamline operations of organizations. BPM segment dealt with ways to automate, document, discover, and improve business processes of organizations. The hardware segment dealt with computer hardware. As per a National Association of Software and Services Companies (NASSCOM) report, the Indian IT sector ascended from \$63 billion in 2008- 09 to \$108 billion in 2012-13 (expected). In 2012-13, the growth rate was 7.4% with domestic business contributing merely 30% as compared to 70% of exports (Exhibit I). The contribution of the sector to India's GDP elevated to 8% in 2012-13 from 1.2% in 1997-98.

76 69 59 50 47 FY2008 FY2009 FY2010 FY2011 FY2012 FY2013E ■ Domestic Export

Exhibit I Market Size - Indian IT Industry (USD billion)

Source: http://www.ibef.org/download/it-ites-august-2013.pdf

The sector was estimated to generate 12.5 million employment opportunities (direct and indirect) in 2012-13. According to a report by IAMAI (Internet and Mobile Association of India), India was estimated to have 243 million internet users by June 2014. A NASSCOM report stated the share of Indian IT industry as 7% in global markets. According to DIPP (Department of Industrial Policy and Promotion), the cumulative FDI (Foreign Direct Investment) was by Indian IT sector is a mammoth US\$ 8.77 billion during the period April 2000 to September 2013. TCS, Wipro and Infosys emerged as top Indian IT companies based on the revenues earned by them in 2012 (Annexure I).

Though, IT sector was on the rise at abrisk pace, one cannot disregard the equally alarming ecological concerns it had produced particularly GHG (Green House Gases) emissions E-waste (Electronic Waste), and ODS (Ozone depleting substances) created during the recycling process. Government wasalso takingoptimistic measures forprotecting Mother Nature by raising awareness and by framing strong eco-friendly legislations. IT companies were also taking this as a new opportunity to show that they are concerned about environment in addition to explore climate change vertical to fuel sector's growth.

### GOING GREEN IS THE IN THING

Major IT organizations had understood the importance of going green. It helped the organization in enhancing their brand by doing their bit for the ecology. The IT sector was majorly responsible for advancements in technology, making the electrical and electronic items obsolete at a rapid pace, resulting into one of the biggest environmental threat around the globe i.e. waste.

Around the world, 50 MT (million tons) e-waste was generated every year. A staggering 0.8 MT e-waste wasgenerated in India in the year 2012 according to a report by Central Pollution Control Board (CPCB). According to a report by Rajya Sabha Secretariat, E -waste in India from discarded mobile phones and computers would rise by 1800% and 500% respectively by 2020.

The amount of e-waste generated by developing countries would bewice developed countries by 2025. Another alarming fact is that for developed countries, it was a better option to export e-waste to developing countries than to recycle the same as the cost involved in recycling e-waste is much higher than exporting the same. India unluckily was being used as a dump yard for importing e-waste in absence of appropriate legislations. The cost of recycling a tonne of e-waste is Rs. 12,000 in UK, whereas the export cost of the same to India would cost only Rs. 2800.

The Ministry of Environment and Forests (MoEF)felt the requirement of a strong legislation to curb the menace of € waste in India and approved a legislation titled "The draft E-waste (Management and Handling) Rules, 2012'As per this policy, manufacture that to bear the responsibility of collect ion and disposal of electronic waste. Another notable clause was RoHS (Reduction in the use of Hazardous Substances) which mentioned that the manufacturer of electrical and electronics equipment needed to make sure that hazardous substances including lead, cadmium, mercury etc. were not present in the new equipments.

Although the legislation was appreciated by common man and environment loving fraternity it was necessary for organizations to understand their responsibility as a responsible stakeholder of the society. Though many companies began going green movemen towing tothe legislative framework put into place, Wipro was the bellwether in initiating green revolution. Wipro was one amongst the first environment sensitive companies stepping towards green IT. Wipro was involved in environment-friendly practices since 1998 but it was in 2008 that they decided to adopt GRI (Global Reporting Initiative) framework for reporting their sustainability. Several Indian companies launched green initiatives taking a cue from Wipro. For example, Infosys had decided to become carbon neutral by 2017. SAP decided to reduce their carbon footprint by 51% by 2020. Hindustan Unilever had set a goal to cut down emissions by 22% per product manufactured by them. The voluntary commitment of proactive organizations enforcement for laggards had helped the mantra of "Go Green" in becoming popular.

# WIPRO'S ECO-EYE: THE GREEN INITIATIVE

Wipro, known for its numerous CSR initiatives and for its eco-friendly practices, formally decided in 2008 through "eco-eye" to adopt GRI framework for reporting its sustainability on ecological, social and economic fronts. They measured the ecological impact of their operations to chalk out a plan for going green (Exhibit-II). In 2008, Wipro measured their carbon footprints for India operations—resulting to 320367tons—to initiate the process and took this as an opportunity to trigger investments in clean and green energy ventures.

**Exhibit II Ecological Impact of Wipro's Business Operations** 

Operational area	Ecological Impact
Consumption of power by Wipro's campuses and buildings across locations. In India, a significant part of the grid power is drawn from coal based power stations	Contributes proportionately to increase in GHG emissions, the primary cause of global warming
Consumption of water in campuses and buildings across locations; Normally purchased from municipal bodies, sources can be rivers, lake systems or ground water (drawn directly)	Contributes to proportionate depletion at source. Considering the fact that the IT business is not water intensive, our withdrawals are not of the scale to make a material impact on the water source
Generation of waste - water, organic, inorganic and electronic - from internal operations	Pollution of landfills and water bodies if waste is discharged untreated. Contributes to GHG emissions also
Wipro sells IT hardware Pcs, laptops, servers etc to its customers .	In absence of takeback responsibility, the hardware finds its way to landfills with potentially toxic results
Daily to and fro commute of Wipro's large workforce; Frequent business travel (domestic and international) of a section of the workforce	GHG emissions from the large transport fleet run by the company and from employee owned vehicles; Proportionate impact on air quality in the cities where we operate. GHG emissions from business travel

Source: http://www.wipro.com/Documents/wipro-sustainability-report-2007-08.pdf

The "eco-eye" initiative was based on four major pillars of energy efficiency, water efficiency, waste management, and reduction of GHG emissions. The first hurdle was to design a process for measuring the GHG emissions efficiently. Wipro designed a robust process for measuring GHG emissions on all fronts viz. power consumption, employee commute, waste etc.

### **ENERGY EFFICIENCY**

Wipro identified that Cooling, Lighting, and Computing are the major contributors (with individual share of 50%, 10% and 35% respectively) in electricity consumption. Wipro's 19 LEED (Leadership in Energy and Environmental Design) rated buildings (highest for an Indian organization) played a major role in achieving energy efficiency of around 20% over a time horizon of five years.

The power requirements for computing were reduced by implementing Server Virtualization program which accounted for virtualization of 247 servers in 2010 11 alone taking the total amount of virtual servers to 800 (as on March 2012) deployed on 120 physical servers. Wipro also used solar water heaters for heating water which helped them in saving 1.6 million units of