

The South Asia Institute and HBS-India Research Center  
**Best of Harvard in India Round Table Series: Corruption and Lobbying**

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The Chambers, Taj Land's End, Mumbai, India

While around the world transparency is seen as key to unraveling corruption, India remains, in the words of one Round Table participant, “riddled with corruption,” despite—or perhaps because of—what Harvard Business School’s Karthik Ramanna described as “a culture of hyper transparency.” Ramanna, an associate professor of business administration, currently teaches the first-year MBA course “Leadership and Corporate Accountability.” In addition to his focus on corporate governance and accountability, he has studied the globalization of transparency as an instrument of accountability in East Asia, Russia, and Turkey, and how activists in these countries are fighting corruption. Lobbying, roundly described as “a pejorative term in India,” is an illustration of the misunderstood state of transparency in India, epitomizing institutionalized corruption. This roundtable addressed the state of corruption in business and government in India, the use and misuse of transparency as an instrument of accountability, and how the nation can hope to convert transparency into individual and institutional accountability for eradicating corruption.

### **A Culture of Corruption**

The so-called “Culture of Corruption” permeates all levels of Indian society. One participant explained that “there are two kinds of corruption in India: need corruption and greed corruption. A small cop needs money. Go after greed corruption, and that’s going to make a big difference.” As he went on to say, corruption equals monopoly, minus transparency, plus discretion.”

Corruption in India is a social issue as well as a political and economic one. At the top of the ladder, the democratic institutions currently in place allow corruption to be treated as an academic issue to be considered, and then worked around – or embraced. For the common man, who may not understand or be able to use the same democratic institutions, corruption impacts on a more fundamental level. For the top 1% of the population, the consequences of corruption are sometimes beneficial, sometimes detrimental, but rarely make a substantial difference to quality of life, as one of the guests said. However, when nation-wide statistics show forty-six percent of the population suffering from malnourishment, thirty-five percent of children not finishing their primary education, and only eight percent of students attending university, there is no question as to the severity of the impact corruption has in contemporary India’s growth and prosperity. A general inability to prioritize social responsibility over economic gain was illustrated anecdotally: one attendee shared how, in their work mediating the redevelopment of the Dharavi slum, they met with consultants who, as well as having proposed the project, were also advising the government on how the money should be spent—all without soliciting input from the community itself. In real estate and telecom, policy is determined by those who most benefit from the procedures. Standing up for the rights of those who would be most affected by the redevelopment, and refusing to be silenced by bribes, meant being told by lobbyists and politicians alike that they were responsible for “singlehandedly destroying the capitalization of this country.” Corruption and payback are, unfortunately, seen as an inherent part of business and investment.

The assertion that corruption is an inherent part of Indian society, however, met with dispute. It was argued that “being corrupt or not... is a choice, and I don’t think it’s related to country, religion, caste or creed. It’s an individual tradeoff.” Ramanna explained the role that Harvard

Business School can play in resolving the issue, through this series of talks on accountability and governance, but also through its executive education seminar.

*We had a session on leadership and corporate accountability – as part of that program we had a case study on corruption. On one level, it was very heartening to see the senior business leaders who were in the room, their level of commitment in engaging on this issue, but it came back to the notion of competitive dynamics: if I'm the only one who's not corrupt, it increases the incentive for my competitors to be corrupt, so that they can chase me out of the system. All [executives] expressed the desire to abstain from corruption, but they are in the classic prisoner's dilemma. It comes down to this: What motivates someone to combat corruption at the institutional level?*

Despite the culture of hyper transparency, even knowing that people are so inured to scandal and dishonesty that their bottom line profit is unlikely to suffer any consequences, openly admitting to corruption is still taboo. One contributor cited the example of business tycoons gathered at a conference all vociferously denying engaging in any unethical practices, despite evidence to the contrary. Some corporations convicted of fraudulent behaviors made their executives sign a contract requiring 100% honesty. “Business as usual after signing that is the worst,” another recounted. “Everyone should admit to dishonesty and use it to start a dialogue.” Within India, taking a stand against corruption is occasionally sincere, often an empty gesture, and at times blatantly hypocritical. “Whenever a company comes and says they want to do CSR, it means they're trying to hide something,” someone joked.

When it comes to foreign investment and joint ventures, the situation becomes yet more complex. The general consensus was that Western companies doing business in India espouse much more principled views on corruption and lobbying. This could have a positive impact on the government's and businesses' attitudes, postulated one participant who spoke from the perspective of someone who works for a global company that is “incredibly conscious of transparency.” Global companies are much more likely to make the conscious decision not to engage in corrupt practices, whether for moral or legal reasons. In another experience shared, a foreign partner needed a very sensitive matter handled in eight days but refused to traffic in either the bribery or threats that other parties had. Through direct lobbying of everyone from local policemen to the prime minister, their Indian partner was able to resolve the issue. FDI brings not only money, but also foreign corporate culture; an effective way of translating that knowledge base to these companies' Indian partners has the potential to effect change into the processes common in India.

Participants working on the Indian side of the equation, however, shared less positive experiences, and consequentially less optimistic viewpoints. Stories of foreign partners going back on their word or breaking contracts were shared. Moreover, many had had experiences in which foreign companies “expected their Indian partner to do the dirty work. Tamil Nadu, twenty years ago, was a hotbed for auto manufacturers. Unlike other regions in which global conglomerates had set up manufacturing enterprises, the politicians in Tamil Nadu were renowned for honor among thieves: they accepted bribes, but then made sure that the job got done. Foreign companies, even those who preach transparency and anti-corruption, assume that they can take advantage of India's standard business practices. “They said, ‘we don't want to know. Please don't tell us, don't email us, don't discuss it over the phone, but we want it done,’” was the end of an anecdote familiar to many.

Despite India's reputation, globally as well as domestically, for corruption at all levels, there was hope expressed that the next generation will effect positive change. Today, taking a problem to a young judge, a young cop, or a young politician are all seen as potentially viable solutions, in direct contrast to their older counterparts. One attendee said, "We have institutions, and that's a game-changer in India. Yes, they're being abused, but perhaps younger politicians will fight some of these institutions, the old-boys clubs." The Panchayati Raj, and the seeds that it planted, sparked optimism. A generation fighting corruption, rather than individuals tilting at windmills, can effect positive change. "It's a group decision. It has to be intrinsically grown, a homegrown anti-corruption movement," speculated another participant, "but it is possible."

### **Transparency and Corruption within India's Institutions**

A free press is one of the main benchmarks by which transparency is often measured, and corruption eradicated. Digital media has exponentially increased both the breadth and depth of news access within India, and the scope promises to evolve further with the new generation. One personal anecdote illustrated the situation:

*There are 236 News channels, in different languages. Today, for instance, I have a young nephew, who is about nineteen years old. He tracks about fifteen TV channels. He says, "I get the spectrum of what different people have to say."*

The growing reach of the Indian news media is, at times, a double-edged sword. As one person said, there are many government policies directed at women that impact no change in India's rural villages, simply because they never reach that far; with more widely available media, awareness increases. At the same time, the constant barrage of breaking news has inured people to the scandals associated with corruption: one politician was reelected even after authorities found more than three crore INR stashed away in his house. Furthermore, one television station even manufactured a case of sexual assault and then reported on it as "news". The phenomenon is already so much a part of the public domain that a visible and highly sensational reminder was seen as necessary to spark outrage. The so-called hyper transparency that India's press has produced is in part responsible for a national apathy towards, or even acceptance of, corruption.

A participant, reminding the group that the UK has its own problems with media bribing sources, commended India's media for the scope offered by both the English and the vernacular press. While he was optimistic about the state of India's press, others were less so. A common, and more cynical, opinion of journalists, was, "Your salary is paid to you for what you write, and your income comes from what you don't write." Others argued that whether the media is biased or transparent is debatable, but that their role within the fight against corruption is not. When it comes to dealing with large scale corruption, "the press can bring [the issue] out, but other institutions have to take it forward."

The efficacy of India's established judiciary institutions is taken on faith, however, rather than experiential proof. Inefficiencies of the current judicial system were highlighted as primary enablers of corruption in business and government. While some courts—in Bombay, Karnataka, Delhi, and Hyderabad, among others—are current courts, disposing more cases each year than are filed, the backlog throughout most of the judicial system is in decades, rather than weeks or months. One person stated that a conviction for a charge made when the accused is thirty will not come until he or she has reached age ninety-two. He went on to allege that the government is the accused party in seventy-four percent of current pending corruption cases; it is therefore unlikely that any impetus towards rectifying the legal system's inefficiencies will come from the government, given a vested interest in not resolving these cases.

To evaluate the contention of other nations and reformers that establishing democratic institutions will lead to the eradication of corruption, one must look at India. One side of the argument states that what is needed in India is stricter regulations on lobbying and corruption. A summary of the counterargument was that, “We have enough laws. Implementation is where we are lacking. I really don’t think we need any more laws in India.” Regardless of whether institutions are corrupt, they are, by and large, ineffective. The Right to Information Act, which gives any citizen the right to demand information from a public authority, has stopped decision-making within bureaucracies. While conceived with the positive intention of empowering individuals, it has often gone well beyond the purpose of the legislation: One participant cited an instance in which bureaucrats were asked to declare how many cups of tea had been served at a meeting. Another pointed out that, “In a democracy, yes, the institutions work, but they have to work fast. The judiciary can be as fast as the supporting institutions, but if the institutions are in control of the state, what can they do?” Cases against sitting politicians, policemen, or any other official are perpetually stalled, for fear of reprisal. A new entity aimed at anticorruption will, by virtue of its establishment within a corrupt institution, necessarily become corrupt. India must focus on building a culture of enforcement. “India has all the institutions,” someone said, echoing the earlier comment on laws. “We don’t need any more institutions.”

### **Driving Change**

Building a culture of enforcement, when explored more deeply, revolved around two key ideas: using technology to advance transparency and embracing corporate responsibility, through enlightenment business leadership. By attacking the problem from both sides – top-down executive and political action, and grassroots movements made possible through technological empowerment – change becomes feasible.

The impact that technology has had on increasing transparency and exposing corruption is well-known. Going forward, the challenge is to use technology as a means to eliminate corruption. One example of technology’s potential use in large-scale eradication of corrupt institutions was that of ration cards in India’s Northwest. A large portion of the population, comprised of nomadic Tibetans, is migratory. During their winter migrations south, they can’t collect government rations; despite this annual pattern, however, the public distribution holdings still receive the rations regularly, which they can then sell for a profit. These leakages not only keep the intended recipients from staple goods that they need, directly and aggressively contributing to malnutrition throughout the region, but also drain government resources unnecessarily. The implementation of a ration card available digitally or via SMS was floated as a way to allow more convenient ration distribution, get a better understanding of both the current system’s efficacies and its flaws, and to force accountability through all levels of the system.

Ramanna summed up the responsibility of the elite to leverage their influence to reject the dehumanization and exploitation inherent to the current system.

*[There are] two broad ways [to change the system]: Enlightened accounting to get people to realize the full costs associated with corruption. The sad truth is that oftentimes the full consequences of corrupt decisions are felt long after a corrupt manager departs office. The second point of leverage is what we call leadership. Leadership is about responsibility to others: if you’re leading for yourself you’re not leading at all. They’re admittedly very blunt levers... but that’s the best we can offer today.*

Incentives must be provided for companies not to be corrupt, be they money, social acceptance, or community recognition of that lack of corruption--a reputation that means better branding across the country. It was emphasized that ethics cannot be the primary impetus for businesses to renounce corrupt practices, but rather that there must be a guarantee of future financial reward to compensate for any short-term losses. Thus, as consumer groups start to prioritize honest dealings, companies will find those incentives to combat corruption.

The panelists generally agreed that strong leadership was needed to reform the current situation. Just as complicity from above encourages corruption, a hard line drawn by their seniors will be discouraging.

*Ten percent of people [in a government organization] are out and out in it for the money, ten percent are [clean], and the other eighty percent are just waiting to see who is more powerful. People who want to take action are afraid; you just need to create awareness and support for the eighty percent. You can't eradicate all of the so-called corrupt or unethical practices, but, here we can make a difference, through awareness and support through the system.*

Corporate leaders encouraged responsibility to give back to society however possible, not just through CSR initiatives that ensure that communities get education, health and nutrition, but through instilling ethics that drive positive change. "If every corporation tries to give back in a small way, perhaps it will help," one attendee suggested. Rather than condemning corrupt practices publically while still engaging in them, strong leaders must take a stand and, in doing so, empower others to do the same.

### **Key Questions**

- 1 Why is it that activists in China and Russia seek the kind of institutions that are presumably available in India – relatively free press, electoral accountability, and democratic government – as instruments of transparency and accountability when, in India, they don't have the desired impact of combating corruption?
- 2 What role does the press currently play in combating corruption? What should they be responsible for, and how can they improve?
- 3 Does living in a country of hyper transparency inure people to transparency? Of what benefit is shock value in forcing a public outcry against corruption?
- 4 What is the state of corporate lobbying in India? Does its lack of transparency, as compared to the United States' lobbying practices, help or hurt, and how are best practices evolving?
- 5 What role can businesses play in resolving these issues? What will motivate people to combat corruption at a corporate, and institutional, level?

### **Chair**

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