Indian corruption: characteristics and responses

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Transparency International ranked India 87th out of 178 countries, along with countries like Albania, Jamaica, and Liberia, in the Corruption Perception Index 2010. Corruption is ubiquitous in India. Corruption, which largely means bribery, is intertwined with inefficiency, unaccountability, and the feudal mindset of public administrators. Bribery makes the decision-making process very slow and sluggish, and the whole system very insensitive. Corruption in the public sector—bureaucracy, judiciary, and legislature—is so rampant that an *aam admi* (common man) believes that corruption is a normal part of governance. Once, bribes were paid only to do wrong things, but now bribes are paid not only to do wrong things but also to do right things on time. Corruption exists at every level of public administration. Private sector corruption is equally high in India. The Satyam case was a massive private sector fraud.

○ ● Corruption from lower to higher bureaucracy

Corruption is extremely high in the lower bureaucracy. No application moves without high denomination currency notes attached to it. If an *aam admi* has to get a driver's license, passport, birth certificate, death certificate, ration card, gas connection, electricity connection, water connection, PAN card, etc., he normally has to bribe the officials who are in charge of issuing these documents. For these documents, the bribe amount ranges from INR 100 to 10,000 under normal circumstances. If one pays four to five times more, he can get a driver's license on the same day and a passport in 10 days. There are a number of touts working for the government officials. The corruption in the lower bureaucracy may sound petty but the instances are numerous. This is the corruption that hits the *aam aadmi* directly.

Corruption has become so ingrained and institutionalized in the Indian system that it looks very normal. Corruption is accepted and tolerated by saying 'chalta hai' (it is OK). If government officers demand bribes, people think 'chalta hai' so long as they do the work. When government officers demand bribes, it is rare that an *aam admi* protests. Corruption is not just one way, but two ways. People are also eager to give bribes to get things done.

In the higher bureaucracy, corruption is camouflaged but much larger in scale than in the lower bureaucracy. Most of the bigger scams are committed in the higher bureaucracy. Though the higher bureaucracy corruption does not directly hit the *aam aadmi*, it causes loss to the government's exchequer. The 2G spectrum scam is the latest example of higher bureaucracy scams. Unlike corruption in the lower bureaucracy, corruption is not so open and direct here. The ministers and senior bureaucrats use lobbyists and brokers to crack deals with interested parties. Companies in the private sector are often confronted with this kind of corruption when they are looking for government tenders, approvals, and clearances.

Public sector corruption

The popular presumption is that everyone 'from peons to the PM' is corrupt in India. Congress Prime Minister Narsimha Rao was found guilty of scams in the 1990s. Some ministers and bureaucrats of the current UPA government are in jail for being involved in scams. Certain public institutions are extremely corrupt.

Civic bodies like *panchayats* and municipalities are the centers of corruption at the grassroot level. Ironically, these institutions were built and strengthened to reduce local corruption and red-tapism. Today, *panchayats* get lots of funds from the government for development works in rural areas, but most of the funds are siphoned off by *panchayat* officials and middlemen. City municipalities have the power to grant a number of petty approvals and clearances, such as approving the design of a house, water connections, and ration cards. This gives enough scope to the municipal officials to demand bribes. The Municipal Corporation of Delhi is one of the most corrupt civic institutions in India.

The police department, which is responsible for protecting people and enforcing the law, is one of the most corrupt institutions in India. It is very common that when an aggrieved person goes to the police station to file a criminal complaint, the police officer refuses to file the complaint unless a bribe is paid to him. The transport department is another very corrupt institution. The officials of the transport department make a lot of extra money from vehicle registrations and from issuing driver's licenses. Traffic police in India are equally corrupt. It is very common on Indian roads for a traffic policeman to stop a vehicle and demand unreasonable documents to elicit a bribe.

Corruption is very high in the lower judiciary compared to the higher ones. It is very easy to influence the judges in the lower judiciary, especially in the countryside. Court clerks are very corrupt. There is a very strong nexus between the criminals, lawyers and court officers. While I was working in the Delhi courts, I met a person whose wife, while having an illicit relationship with a policeman, got her living husband declared dead by the court.

Rural financial institutions, which disburse loans to farmers, are very corrupt. For example, if the government has sanctioned a INR 50,000 loan to a farmer, the financial institution will grant him only INR 40,000 and keep the remaining INR 10,000. The farmers are not less clever. They happily take INR 40,000 and do not mind giving INR 10,000 to the officer of the financial institution because they never take a loan with the intention of repaying it. They will wait for the next election, before which the government usually waives off farmers' loans to attract the farmers' votes. It is a vicious cycle.

India, rich with mineral resources, has a very lucrative mining business. There is a very strong mining lobby in Indian politics. The mining department has the power to grant and renew mining leases to the companies that dig out the minerals. Usually, there is large-scale corruption in granting and renewing mining leases. After paying bribes, mining is allowed by the mining department even after mining leases expire. The Madhu Koda Case in Jharkhand and the Reddy Brothers' Case in Karnataka are burning examples of massive corruption in the mining department.

India's real estate sector is another corrupt area. There is an extremely strong nexus between the housing department and private builders. The private builders bribe the housing department to get approvals and clearances to develop housing complexes. Sometimes, the builders start booking flats for a location which actually does not exist. Recently, leading private builders booked flats and collected millions of rupees from desperate middle class buyers by selling flats in the NOIDA (New Okhla Industrial Development Authority) extension. Later it was revealed that there was no such place as the NOIDA extension. Whenever the housing department allocates flats to middle class buyers, there are large scale unfair practices of distributing the flats to influential people or to those who pay bribes. The Delhi Development Authority (DDA), Delhi's housing department, is often blamed for malpractice in allotment.

Private sector corruption

When public sector institutions are corrupt, it is not possible for private sector organizations to remain immune to corruption. The Indian private sector also has massive corruption. There are two aspects of private sector corruption. Firstly, the private sector pays bribes to government ministers and bureaucrats to get approvals and licences. The 2G spectrum scam, wherein the private sector bribed telecom minister A. Raja and senior telecom bureaucrats of the central government, is the most perfect recent example of this. There is a collusive nexus among politicians, lobbyists, and businesses. The infamous Radia Tape has exposed how businessmen like Ratan Tata influenced the appointment of A. Raja as telecom minister for a second time in the UPA government. Political ties of big business houses to politicians such as Ambani and Jindal are well known. Secondly, there is another aspect that shows that there is corruption within private companies. There are a number of instances like the Satyam Fraud Case and the Citibank Fraud Case. There are a number of *benami* (fake) companies doing business in India. Tax evasion and CEOs inflating the costs of purchase orders are very common. However, internal corruption within private companies usually gets suppressed so long as it does not involve the interests of *aam admi*.

The issue of corruption is very complex and deep-rooted in the Indian system. It is not easy to reduce or eliminate corruption all of a sudden. It will take time, as reform is needed in many areas.

Regional Variation

Corruption is more or less everywhere in India but it is usually higher in less developed regions like East India and North India than in West India and South India. Poorer states, such as Jharkhand, Bihar, Orissa, West

Bengal, and Uttar Pradesh, are comparatively more affected by corruption than prosperous states, such as Gujarat, Tamil Nadu, and Kerala. High poverty and high illiteracy may be responsible for higher corruption in the eastern and northern states. However, there are also exceptions. Prosperous states like Punjab, Haryana, Delhi, Maharashtra, and Karnataka are also corrupt.

Reasons for corruption

Firstly, one of the main reasons for corruption in India is the supply-demand mismatch. Supply is lower than demand. This supply-demand mismatch is mostly artificial. For example, nowadays more and more Indians are travelling abroad. So, there is more and more demand for passports. However, the passport counters in the passport office are not proportionate to the demand. There is a very long queue in the passport office. In order to avoid the long queue, people pay bribes. Secondly, political leaders are elected, but elections themselves are full of corruption. Almost all political parties issue tickets to candidates after taking huge money. How can these candidates be expected not to be corrupt once they become ministers? And where the ministers are corrupt, the bureaucrats will follow suit. Thirdly, Indian people not only tolerate but also promote corruption. It is rare that people protest against corruption. They accept it as a normal part of affairs. People also willingly offer bribes to government officials as a sign of gratitude. Fourthly, in the rush for development, the Indian education system has become technical and job-oriented. Moral education has significantly declined in schools and colleges. Family does not play an important role in urban areas. Values and ethics are not so emphasized by family or schools anymore. Money-making has become the goal of life. Fifthly, laws and procedures are very complex in India. It is not easy for an *aam admi* to understand laws and procedures. This necessitates middlemen. Sixthly, the salary of government officials is comparatively low in India. They do not feel satisfied with their incomes and are tempted to resort to corruption. Finally, illiteracy is also one of the main reasons for corruption. It is easy to cajole illiterate people into paying bribes by scaring them with the law.

Responses of people

In India, the response of the people towards corruption has been largely one of tolerance and acceptance. Whenever corruption has been exposed in the government, the people have voted out that government. Otherwise, the people have accepted corruption as part of their lives. Though there are laws such as the Prevention of Corruption Act, 1988, they have been largely ineffective in tackling corruption due to the number of loopholes. Petty government officials are punished under the law, but not all of the big fishes are targeted. However, recent exposure of a number of big scams in the central government, such as the 2G spectrum scam, Commonwealth Games scam, and cash-for-vote scam, has awakened the public and raised the issue of corruption within society.

An NGO called India Against Corruption (IAC), led by Anna Hazare, Arvind Kejriwal, Kiran Bedi, and others, has sparked a people’s movement against corruption. The IAC is demanding the central government and Parliament to pass the Jan Lokpal Bill, 2011 (People’s Ombudsman Bill, 2011) to tackle corruption from peons to the PM level. Anna Hazare conducted hunger strikes twice (in April and August) to force the central government to adopt the Bill. The hunger strikes of Anna Hazare got massive support across India, from people of all walks of life. The Anna Hazare movement has awakened people to the truth that enough is enough and now is the time to fight corruption. Parliament is now considering making a strong anti-corruption law. This time, the people’s response to the anti-corruption movement has been enormous. However, corruption continues, especially at the lower levels.

Implications

The issue of corruption is very complex and deep-rooted in the Indian system. It is not easy to reduce or eliminate corruption all of a sudden. It will take time, as reform is needed in many areas. The first good thing that has happened against corruption is that the people, who used to consider it normal, have become aware that corruption is problematic. They now understand that not paying bribes to get things done on time is their basic right.

Corruption is a major political issue, and it impacts voting patterns. It impacted the voting pattern of people in the elections in Bihar (2010) where people voted back the corruption-free government of Nitish Kumar. As a result, Nitish Kumar has gifted Bihar India's first law that provides time-bound services to the people, the Right to Services Act, 2011. It also impacted the assembly elections in Tamil Nadu and West Bengal (2011). Corruption is going to be a major political issue in the forthcoming assembly elections in Uttar Pradesh and Gujarat in 2012. Corruption will dominate the *Lok Sabha* elections, though they are far off in 2014. Recent media surveys show that due to corruption the popularity of the congress-led UPA government has gone down significantly, whereas that of the BJP has increased significantly. C

Eradicating corruption, a new mission for economic growth

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Before I went to India to study, people who had lived in India recommended that I bring small presents like chocolates or candies. They said that if I gave them to the school administrative staff, everything would go smoothly. After living in India for four years, I understand the necessity of such presents. It is an Indian custom to give a token of appreciation, even for public affairs.

Each year, the World Economic Forum (WEF) publishes the Global Competitiveness Index (GCI). India ranked 42th in 2006 according to the GCI, but slid to the 56th position in 2011. Competitiveness is determined by various pillars, including infrastructure, institutions, macroeconomic environment, higher education, and training. The institutions pillar measures the extent of bribery and corruption, and corporate ethics among other elements. India ranked 83rd on the irregular payments and bribes indicator in 2010, the first year that category was included, but plunged far below average to 95th place in 2011. India's corporate ethics ranking dropped from 61st place in 2008 to 86th in 2011. India's fall in these rankings is largely attributed to a series of big scandals in the government and major companies that became apparent at the end of the last decade.

A further drop in the corruption rankings

In a country like India, with rampant bureaucracy, large-scale projects involve lengthy and complex procedures for acquiring approvals and licenses. Therefore, many companies pay bribes, under the name of "express fees," to public officials in order to run business smoothly and effectively. In the short term, this kind of bribe might work as lubricant and have a positive impact on business activities and the economy. In the long term, however, it harms India's business environment.

In a survey of Indian businessmen conducted by KPMG Consulting in 2011, nearly 99% of respondents said corruption impedes India's economic growth. Comparing the 2011 survey results from China and India, China's corruption and bureaucracy scored 8.5 and 10.9 points, respectively, while those of India scored 16.7 and 13.5 points, respectively.

In India, where bribery has already become a regular practice in doing business, selecting players through fair competition involves much hassle. This has been especially true in tenders for massive real estate projects, including infrastructure construction, and the controversial 2G spectrum allocation. According to the KPMG report mentioned above, many Indian businessmen believe that the real estate and construction sectors are most prone to corruption. This implies that bribery is rampant in massive construction projects.

The winner of a bid, after bribing public officials, is apt to do substandard work in order to make up for the unexpected increase in costs, using inferior construction materials, for instance. Also, businesses that fear cost increases are often reluctant to invest in infrastructure. In this way, The most problematic factors for doing business in India

Year	Infrastructure	Corruption	Bureaucracy
2008	25.5	10.1	14.6
2009	24.6	11.0	14.0
2010	18.5	17.3	14.4
2011	17.0	16.7	13.5

Note: From a list of 15 factors, respondents were asked to select the five most problematic and rank them from 1 (most problematic) to 5. The results were then tabulated and weighted according to the ranking assigned by respondents.
Source: *The Global Competitiveness Report*, WEF

bribery hinders the improvement of India's infrastructure and slows economic growth.

A huge sum in secret slush funds in Swiss banks

It was such events that led to the 2G spectrum scandal, which involved Tata Group and Manmohan Singh, whose public image had always been clean. In 2008, the Indian government issued licenses to inexperienced companies, bypassing fair competition for 2G spectrum allocation. This fraudulent practice came to public attention in the process of 3G spectrum auctions. Key figures involved in this scandal, including the prime minister, were denounced by the Indian public for damaging the national image and incurring huge financial losses.

Had the auction process for 2G spectrum been fair, the Indian government would have raised approximately USD 40 billion in additional tax revenues. This scam cancels out all significant efforts made by the Indian government to secure tax revenue and overcome chronic fiscal deficit.

Indian slush funds hidden in Swiss banks have also brought up endless

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debates. The exact amount of money held in Swiss banks and the identities of accountholders have been strictly unknown until recently. However, while discussions were taking place on revision of the Double Taxation Avoidance Agreement (DTAA) between India and Switzerland, it was disclosed that Indians owned the largest number of foreigner-owned secret accounts in Switzerland. Suspicion is building that the leaders of society, including high ranking public officials and business leaders, have sent money overseas to evade taxes and form slush funds.

Reportedly, USD 1.45 trillion of Indian money is deposited in Swiss banks, which is six times the external debt of India, or 90% of Indian GDP. This huge sum of money, if it were to return and circulate within the Indian economy, could help external debt redemption and increase investment, giving positive impetus to economic growth.

Triggering macroeconomic instability

Corruption, which is closely related to increased investment costs and uncertainty in decision-making, eventually results in a decrease in investment. Bribes that investors pay to get approvals and licenses for projects lead to a rise in project costs and eventually to falling profitability. As it is hard to predict the size and outcome of bribes, uncertainty in decision-making also mounts.

With its rapidly growing economy, India came to be recognized as one of the most attractive FDI destinations, along with China. Since then, FDI inflow into India has increased profoundly. In India, FDI inflow stood at USD 4.03 billion in 2000, but increased 10-fold to USD 37.84 billion in

2008. However, recorded FDI inflow was USD 30.3 billion in the fiscal year 2010, a 25% reduction year-on-year. External factors such as the global economic slowdown played a role in shrinking FDI inflow, but internal factors also had a part: the Satyam accounting scandal and the Commonwealth Games scandal injured the confidence of foreign investors, who feared uncertainty in the investment process.

Over time, the number of people participating in demonstrations supporting the anti-corruption bill has grown. Media at home and abroad have highlighted the significance of this bill. The government finally accepted public opinion and agreed to introduce the anti-corruption law, but foreign companies and investors have learned that social and political instability in India can influence investment as well as the overall economy of the country. With Indian corruption cases making headlines, the Indian government's failure to prove its determination to eradicate corruption will have detrimental effects.

Barriers to poverty eradication

Corruption is also standing in the way of addressing economic inequality and poverty. Even though the Indian government implements various policies to solve the problems of inequality and poverty, corruption among the public officials who implement these policies reduces what rightfully belongs to the people.

The Indian government is currently carrying out policies to provide the underprivileged with food in an effort to address the poverty issue. However, it turns out that 80% of the food provided by the government does not reach the people in Bihar, one of the poorest states in India. The same failure occurs with the National Rural Employment Guarantee Act (NREGA), which guarantees by law one hundred days of employment to adult members of any rural household willing to do public work-related unskilled manual labor at the statutory minimum wage. One hundred days of employment is not assured, nor are wages duly provided for work already done.

In addition, government expenditure tends to be concentrated in projects prone to bribery and corruption (e.g. weapons procurement and infrastructure construction), rather than in policies that address economic inequality (e.g. social welfare and education). The loop of corruption not only impedes economic growth by creating mayhem out of government policies, but it also magnifies political and social instability.

As the Indian public has become actively involved in the anti-corruption movement led by social activist Anna Hazare, the severity of Indian corruption has come to light. Even though the government has pledged to introduce the anti-corruption law, India has a long way to go to rid itself of rampant corruption. If the government, the public, and corporations, recognizing the problem, can work together, there is room for slow and gradual improvement.

In order to eradicate corruption, transparency in administrative processes needs to be maximized, and fundamental measures must be taken to eliminate bureaucratic red tape. Consequently, companies will be able to do business and compete with one another in a fair environment, and increased efficiency of the overall economy will result in more investment, leading to economic growth. This will provide a foundation for reduced economic inequality, creating a virtuous cycle of economic growth. The Indian government has set a target of 9% economic growth in its 12th Five-Year Plan. There is growing consensus that achieving this target will be difficult without eradicating corruption. C

Mounting demand for ethical corporate management

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Anti-corruption is a hot topic now in India. Corruption has been a universal problem across all ages. China, Russia, and Brazil are mulling over ways to address corruption, while advanced Western countries, including the UK, the USA, France, Spain, and Italy, are facing a series of corruption scandals. Corruption has become such a global problem that the United Nations has made the Anti-Corruption Accord.

In May of 2010, India ratified the UN's Anti-Corruption Accord. India also signed the G20 Anti-Corruption Action Plan in 2010 in an effort to boost its status as a major power.

After a series of major accounting scandals, such as those of Enron, WorldCom, and Tyco, broke out in the 2000s, advanced countries have enacted laws to curb unethical behavior and bribery in the private sector. In 2010, shortly after the enactment of the US Foreign Corrupt Practices Act, the UK enacted the Bribery Act. These are both measures for strengthening the monitoring of fraudulent practices in the private sector rather than the public sector, and making the business environment fairer and more transparent.

The Indian government has recently announced that it is considering the introduction of an anti-corruption law for foreigners. If this law is introduced, foreigners who are caught giving bribes in the process of forming a business contract in India will be punished by up to seven years in prison. India's Ministry of Finance also set out to renegotiate the Double Taxation Avoidance Agreements (DTAA) with foreign governments in order to prevent illegal money laundering and strengthen the taxation system; foreign companies should be aware of this.

The business world: "Deregulation will eradicate corruption"

In fact, India's corruption level has declined significantly since the economic reform of 1991, because regulations on foreign currency, monopoly and oligopoly, industry permission, and import approvals have been lifted. However, unnecessary regulations are still ubiquitous in India. People are raising their voices, saying that corruption will lessen when the red-tape disappears.

K. M. Birla, the chairman of Aditya Birla Group, the fourth largest company in India, said that India seemed to have returned to the "licence raj" of the past, because large-scale projects required a plethora of approvals from various government agencies and institutions. He also stated, "Government policies and rules of the game are unclear and changing too frequently, and it takes years for them to be amended, so the government should speed up reforms."

B. Muthuraman, Vice Chairman of Tata Steel and President of the Confederation of Indian Industry (CII), proposed adopting Single Window

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Clearance and improving the distribution and pricing mechanisms of natural resources such as iron ore and coal. He made it clear that India will be able to improve its competitiveness as a global manufacturing base only when the government makes laws and regulations simple and transparent.

S. P. Hinduja, the chairman of Hinduja Group, a non-resident Indian (NRI) company, believes that corruption influences corporate governance, and also has a negative impact on social engagement, inclusive economic growth, FDI inflow into India, and domestic security. For this reason, he argues vehemently that efforts should be made to break collusion among politicians, public officials, and businessmen, who have been the only ones to benefit from India's rapid growth so far. He has proposed practical alternatives to corruption: for example, that the construction of social infrastructure, including education, public health, and water management infrastructure, should be a prerequisite of granting approval for mega-sized industrial projects.

Indian business leaders hope that the nation-wide interest in anti-corruption efforts triggered by Indian activist Anna Hazare create an opportunity to reduce red-tape and make policies and decision-making processes more transparent.

According to the global credit rating agency Fitch, India is not as corrupt as China or Russia, but it suffers from excessive regulation and tax laws.

Companies require ethical management

According to a survey conducted by KPMG Consulting in 2011, 68% of

A survey on the most corrupt sectors in India

Real estate & Constru-ction	Telecom muni-cations	Social developm ent*	Financial services**	Defense	IT/ITeS/ BPO	Energy and power	Others	Total
32%	17%	13%	10%	9%	6%	5%	9%	100%

Note: * - Education, poverty eradication, ** - Bank, insurance, mutual funds, etc.
Source: KPMG, *Survey on briverty and corruption, 2011*

respondents believed corruption exists in the private sector, and 42% of respondents indicated that bribery is considered an acceptable behavior in industry. Thirty-two percent of respondents were of the opinion that the real estate and construction sectors are most prone to corruption; 17% of respondents said that the telecom sector is the most corrupt. In all three of these sectors, government and political intervention is high, and with large capital investments, multi-level approvals, and complex processes, there is much room for corruption.

What is interesting here is that the social development sector, which is supposed to implement plans for education of the poor and poverty eradication, ranked third. This suggests that non-governmental organizations (NGO's), whose purpose is to achieve social justice, are not free from corruption in India.

KPMG suggested preventive mechanisms that organizations could adopt in order to curb corruption: a comprehensive and strictly enforced code of conduct, communicating zero tolerance for corruption; a structured whistle blowing mechanism for reporting potential bribery and corruption issues; a comprehensive and periodic risk assessment mechanism, including third party audits with specific reference to corruption related risks; a regular monitoring mechanism to address issues arising from bribery and corruption.

KPMG believes that social control is the best way to prevent any form of unethical practice, including bribery and corruption. Following are key examples of social control: adequate training for employees who enumerate unacceptable practices; strong communication mechanisms that enable bottom-to-top feedback and voicing of concerns; and promotion of an ethical culture in the organization.

CII has recently unveiled an eight-point Code of Business Ethics and urged its 8,000 member companies to comply. CII views that all business practices and conducts should have served the national interest as their foremost objective. The Code of Business Ethics includes the following: do not use official position to influence any person or body for any personal gain or favor; perform due diligence specific to anti-bribery and corruption when evaluating mergers and acquisitions and joint ventures; no employee or company representative shall pay, or offer to pay, a bribe, or provide any other object of value to any third party, public or private, with whom the company is doing business for the purpose of obtaining benefit; whistle-blowing should be encouraged and competition should be promoted.

The most ethical companies in India

Generally, Tata Group's representative subsidiaries, including Tata Steel, Tata Motors, and TCS, and major IT software companies, including Infosys and Wipro, are regarded the most respected companies in India. On the other hand, Satyam Computer Services, which was caught in an accounting fraud scandal in 2009, is considered one of the most unethical companies in India. Among conglomerates, Reliance Group has a negative corporate image because it has been known to have enjoyed various benefits from long-held collusive ties with political powers.

Multinational companies, including KFC and Coca Cola, have been aggressively targeted by India's NGO's, and their unethical business practices, using harmful substances and causing pollution, have been reported by the media. NRI enterprise Vedanta lost permission to mine bauxite in Orissa after NGO's revealed to the international community that Vedanta had tried to forcibly evict an indigenous tribe from their centuries-old homeland.

One American institution has been selecting World's Most Ethical Companies since 2007 in order to promote corporate ethics, corporate social responsibility, and sustainable management. The selection process involves review of approximately 3,000 companies from over 100 countries and 36 industries.

In 2007, the first year of the designation, the companies that made the final cut included Hindustan Lever and Tata Group, which have active corporate social responsibility practices. However, Ratan N. Tata, the chairman of Tata Group, recently fell from grace after his company was involved in the 2G telecom scandal. No Indian companies were included on the list from 2008 to 2010, but the Housing Development Finance Corporation Limited (HDFC) was selected in 2011. (No Korean companies have been included on the list so far.)

HDFC, though unfamiliar to Koreans, is India's leading housing finance company, providing a range of loans to Indians. This non-banking financing company is now 100% privately owned. HDFC had good marks in transparent corporate governance, ethicality, and transparent transaction practices. HDFC is also actively engaged in social responsibility programs. Close to 190 social and developmental initiatives, including medical services, were supported during FY 2010-11, allocating funds amounting to INR 88.8 million.

Korean companies' need for increased transparency

Indians are ideological and idealistic. Therefore, in many cases, the direction of the Indian government's policies, laws, and regulations are comparable to those of the most advanced countries. It is natural that the

Indian government and the people ask private companies to pursue ethical management and social responsibility, and it is highly likely that this will be legally mandated. Generally, higher standards are imposed on foreign companies than on Indian companies. That is why the Indian government recently conducted a stringent tax investigation of and collected a great sum of taxes from foreign companies doing business in India.

In this regard, it is advisable for Korean corporations doing business in India to be more transparent in internal accounting and tax payment. They should also be fair and unbiased in their relationships with suppliers, customers, and employees; and in dealings with competitive relations and environmental issues.

When Korean companies begin a relationship with the Indian government, it is desirable to receive approvals and licenses in a fair manner, even though it might take more time than it would through excessive lobbying. As corporate citizens, Korean companies should actively practice corporate social responsibility, and prepare a code of ethics tailored to their companies, taking the lead in ethical corporate practices. C