

## **SYNOPSIS OF THE FICCI EY REPORT ON BRIBERY AND CORRUPTION: GROUND REALITY IN INDIA**

**New Delhi, July 22, 2013:** FICCI and EY released a Report titled '***Bribery and corruption: ground reality in India***' at the FICCI National Executive Committee meeting on July 22, 2013 in Bangalore. This was done on the basis of a survey conducted from March to May 2013 via an online questionnaire. The respondents represented a mix of Indian enterprises with domestic operations, as well as Indian and foreign multinationals in the US and the UK, whose annual incomes range from INR50 billion to INR100 billion. The principal respondents belonged to business functions such as Internal Audit & Finance, Legal & Compliance, and Vigilance & Risk Management from banking and financial service institutions, and the technology, media and entertainment, and manufacturing sectors.

*"Today, India is one of the most sought after investment destinations. Several reports place India among the top three countries globally in terms of an attractive investment destination ranked by global corporations. While several positive factors like a large and growing domestic market, favourable demographic profile and availability of a large pool of skilled manpower have brought global investors to India, in terms of 'ease of doing business' India still has a long way to go. Clearly, to stay ahead in this competitive world, we need to improve our governance systems. Given the state of India's economic development, good governance is absolutely critical to give us a competitive edge and sustain growth. Corruption invariably increases transaction costs and uncertainty in an economy while lowering efficiency by forcing entrepreneurs to divert their scarce time and money to bribery rather than production."* says **Ms. Naina Lal Kidwai, President, FICCI.**

The Report reveals that corruption – real or perceived, is having a detrimental impact on the country's economy. Around 83% of the respondents felt that the recent spate of scams will negatively impact FDI inflows into the country. According to 73% of the respondents from PE firms, a company operating in a sector that is perceived as highly corrupt, may lose ground when it comes to a fair valuation of its business, as it bargains hard and factors in the cost of corruption in the sector during a transaction. 77% of the respondents think that it is the responsibility of the Managing Directors to handle the bribery and corruption-related issues in the organizations. Some of the specific findings of the Survey reveal that the sectors most vulnerable to corruption include the government & public sector, infrastructure & real estate, metals & mining, aerospace & defense, and power & utilities sectors. A large number of respondents appeared to be aware of unethical business conduct, including irregular accounting to hide bribery and corruption, gifts being given to agents and third parties being used to pay bribes. More than half of the respondents felt that it is the lack of will to obtain licenses and approvals the "right way," which leads to bribery and corruption. Complicated taxes and licensing system also fuel corruption.

The Government has proposed amendments in existing Acts and certain new Bills are on the anvil that are aimed to check corruption in the private sector. However, enforcement of laws is equally important to arrest this inimical growth. Around 89% of the respondents felt that inadequate enforcement of laws is resulting in bribery and corruption proliferating in the country.

**Arpinder Singh, Partner & India Leader – Fraud Investigation & Dispute Services, EY** says, *“Through this report, we set out to ask corporate India their perception about corruption and its impact on country’s future and the results made for an uncomfortable reading. On one hand, it is forcing investors to rethink their India entry strategy, and; on another it is distorting free market and creating unfair competition.”*

*“While the GOI is doing its bit to improve the business environment, private sector too has a significant role to play. Though many companies show awareness of the risks and have intensified their anti-corruption compliance initiatives, the results of this survey show there is still much to be done. Companies will have to ensure high level of transparency in business conduct and take a steadfast long-term view to resist the pressure or temptation to pay bribes”* **added Mr. Singh.**

Majority of the respondents were optimistic that new regulations such as the Companies Bill 2012 will make a difference and help in reducing fraud, bribery and corruption in the country. Serious action on reported instances of bribery and corruption and wide publicity of such actions across organizations are other effective deterrents. There should be transparency at all levels in organizations to reduce corruption. There should not be any discretionary power and every official should be made accountable for his or her omissions and commissions.

Multinational organizations are under increasing pressure to improve their anti-bribery and anticorruption compliance programs as jurisdictions around the world increase their enforcement of laws and regulations to combat bribery and corruption. Executives also need to be acutely aware of the liability they personally face for the actions of their employees and business partners. Companies while framing their anti-bribery and anti-corruption compliance framework should have clear policies regarding Zero tolerance, No ambiguity, Effective training, Gift policy, Hotlines, Monitoring and Third parties.

**Weblink:** [http://ficci.com/SEDocument/20254/EY-FICCI-Report-on-bribery-and-Corruption\\_22\\_Jul2713.pdf](http://ficci.com/SEDocument/20254/EY-FICCI-Report-on-bribery-and-Corruption_22_Jul2713.pdf)

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