

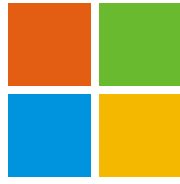


India Risk Survey 2014



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Dr. Anjali Sharma (Pinkerton)

Sumeet Gupta (FICCI)

Ravinder Paliwal (Pinkerton)

Rashmi Sarita (FICCI)

Niti Vig (Pinkerton)

Osamazaid Rahman (FICCI)

Acknowledgment:

We would like to express highest gratitude and appreciation to all those who gave us the prospect to complete this report.

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Foreword

As a country, India has been known for diversity and continuous transformation on both the economic and societal front. However, vicissitudes observed in the last few years have commanded much higher intensity and impetus. The third edition of India Risk Survey attempts to not only map such variations but also highlight the trends that are apparent during the last three years.

The professional opinion on the prevalent risks is an indication of the possible impediments being faced by businesses in recent times and sends a clear message on the stimulus, encouragement and support required to catapult India into a new age.

The survey results of 2014 indicate a conspicuous shift of top risks towards strategic risks as compared to operational issues. As a general trend it is usually noted that a country or a region faces strategic risks at the initiation stage and as the economy matures such risks convert their nature to have a more operational flavor. However, the trend noticed for India is in the reverse and this undoubtedly is an alarming message that demands a review of the system as a whole. The much needed review in such a scenario, must entail the overall policy formulation, legal regime, financial management and image projection.

Reviewing the global situation of business on the lines outlined above, it is believed will enable India to emerge as a preferred business destination. The restrictive global economic situation, with the slowdown of the European market, restrictive investments in China, an almost stagnant economy in USA and the delay of Africa to emerge as a great business destination – can prove to be an opportune moment for the Indian economy. In fact, if India fails to ride on this situation and attract the best of investment, it would most certainly miss out on one of the best leverage opportunities that the global economy has to offer in recent times.

A sincere thanks to Microsoft, all other organizations and individuals for supporting this survey to make it effective, impactful and of a stature that enables it to act as a tool for decision-makers at not only a policy level but also on an operational level. The listed professional bodies supporting the endeavour and fostering an organized approach towards risk management deserve appreciation for crafting the crucial positive change.

A handwritten signature in black ink that reads "Gurpawan Singh". Below the signature is a long, horizontal, slightly curved line.

Gurpawan Singh
Vice President - Asia
Pinkerton



Foreword

The year 2014 will be critical for industries with regard to a number of emerging perils – the 'New Age Risks'. Apart from the bleak global economic situation, global markets will be staggering into new cycles of political challenges and periods of economic uncertainty. The global risk scenario will continue to change, becoming increasingly complicated due to the growing interdependence of different industries and processes across markets and regions. Risk management is thus not a choice but a necessity for corporations the world over. An effective risk management denotes identifying potential risks based on reliable business intelligence.

The *India Risk Survey Report 2013* identified Strikes, Closures and Unrest as the most critical risk to business establishments in 2013 followed by Political & Governance Instability. The rationale lies in the large number of strikes in 2012 along with change in the political landscape in many states. Enhanced use of computing machines and burgeoning levels of digital crime were reasons behind labelling Cyber and Information Insecurity as the third most potential risk to business establishments. Traditional risks like Fire, Crime, Accidents and Natural Hazards were rated as potentially less destructive to trade.

The *India Risk Survey Report 2014*, the third report in the series, lists '*potentially destructive*' risks that will have a bearing on businesses in 2014. The report is an analysis of perceived risks affecting the Indian economy and trade. It prioritizes risks according to their impact-level on various types of industries and organisations. The report attempts to generate awareness among relevant stakeholders about new risks and potential dangers. It will also help policymakers take well-informed strategic decisions.

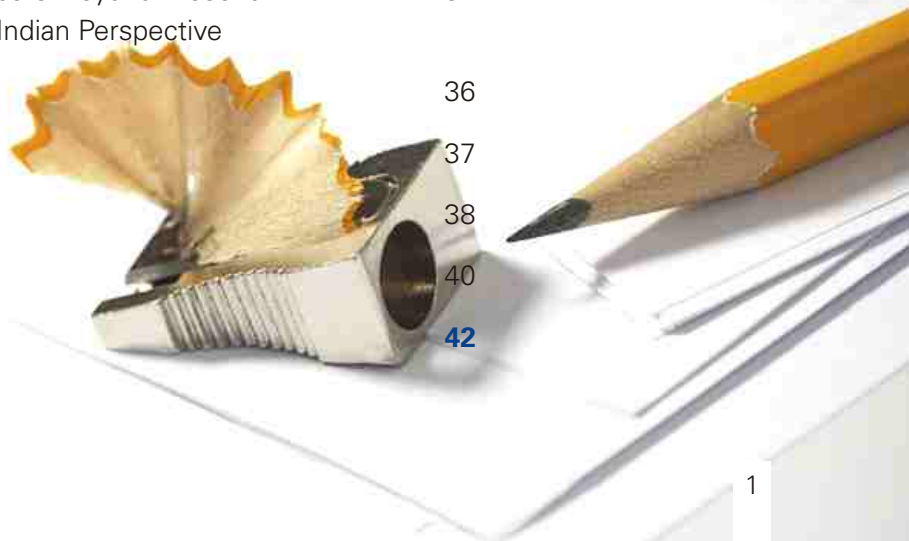
I am confident that this report will prove to be an important document for policymakers, senior executives and the civil society.

A handwritten signature in black ink, appearing to read 'A. Didar Singh'.

Dr. A. Didar Singh
Secretary General
FICCI

Contents

Executive Summary	3
Introduction	5
Trend Analysis	6
Overall Risk Ranking	9
Region-wise Risk Ranking	11
Industry-wise Risk Ranking	13
Risk Categorisation	16
Strategic Risks	16
Operational Risks	17
Safety Risks	17
Risks - In Detail	18
Corruption, Bribery and Corporate Frauds	18
Strikes, Closures and Unrest	20
Political and Governance Instability	21
Crime	23
Information and Cyber Insecurity	24
Intellectual Property Theft	26
Article: Software Piracy	27
Interview: Karan Bajwa, Managing Director, Microsoft India	30
Accidents	32
Workplace Violence and Sexual Harassment	33
Article: Women & Safety at Workplace & Beyond: Present Dilemmas & Future Recourses - An Indian Perspective	34
Industrial / Corporate Espionage	36
Terrorism and Insurgency	37
Natural Hazards	38
Fire	40
Methodology and Respondents	42

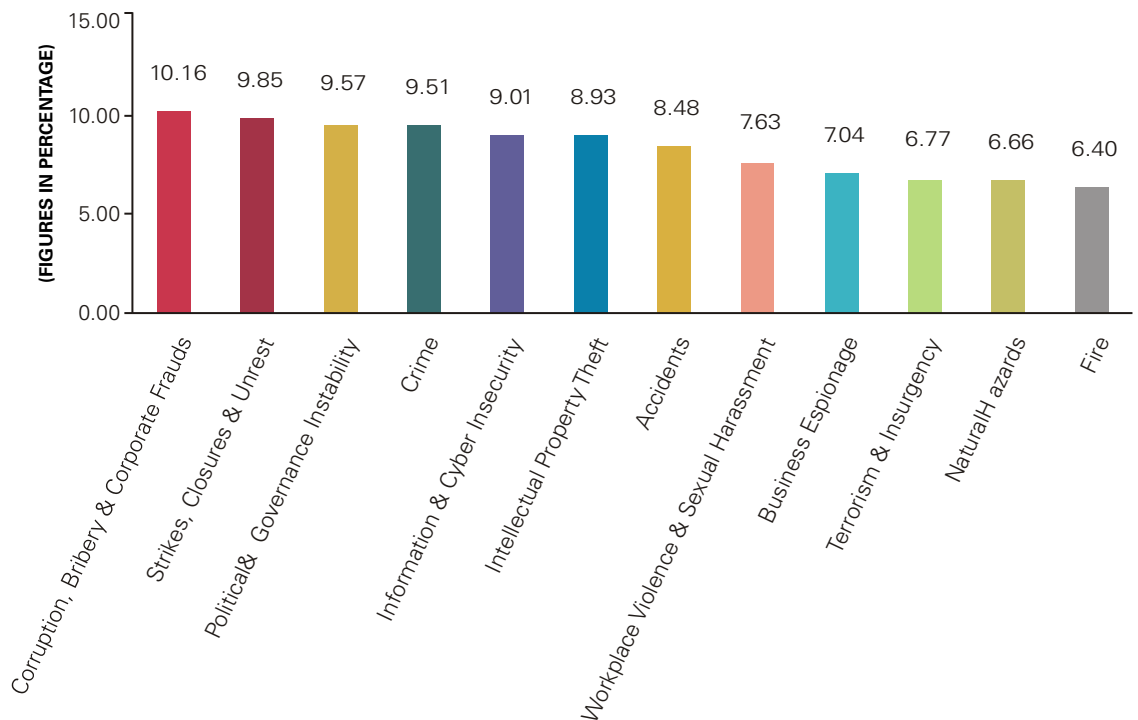




Executive Summary

The *India Risk Survey (IRS) 2014* is based on a comprehensive survey spanning several sectors of the economy and geographical regions of India. The results capture the pulse of business leaders, professionals and educationists. These professionals deal with risks in various forms, particularly as business decision-makers and plan mitigation strategies to eliminate or control risks affecting their business in the country.

Overall Risk Ranking



- 'Corruption, Bribery and Corporate Frauds' emerge as the No. 1 risk, primarily due to the unravelling of scams and frauds in both public and private sectors. In the 2013 survey, it was ranked at No. 4.
- 'Strikes, Closures and Unrest' has been rated as the No. 2 risk and continue to command serious concern from Corporate India. In the 2013 survey, it was ranked at No. 1 position.
- 'Political and Governance Instability' was rated as the No. 3 risk. The ranking of this risk is an obvious pointer towards political uncertainty surrounding the forthcoming general elections in 2014.

Top three risks in each region of India

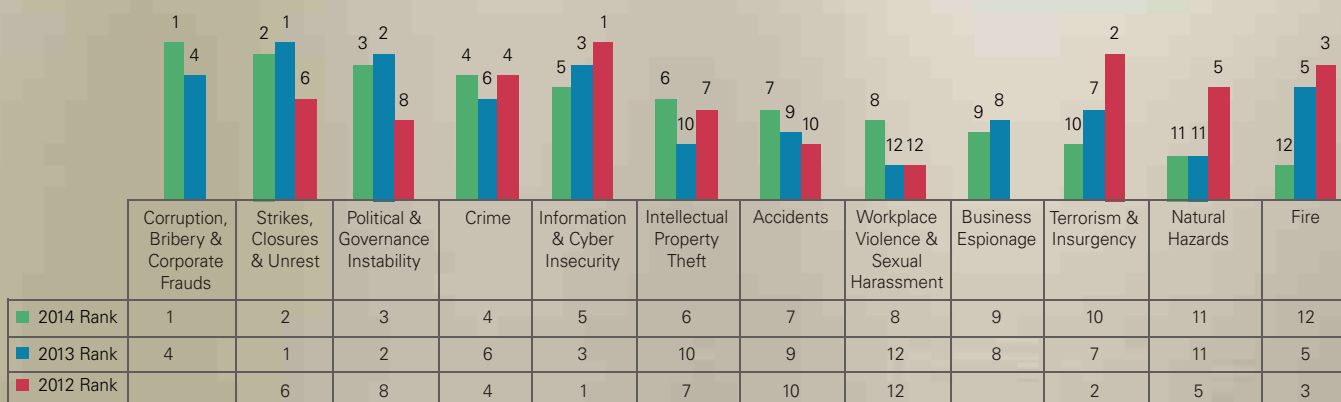


Top three risks in each industrial sectors

Sector	Top Risk 1	Top Risk 2	Top Risk 3
Manufacturing	Intellectual Property Theft	Strikes, Closures and Unrest	Political and Governance Instability
IT/ITES	Information and Cyber Insecurity	Political and Governance Instability	Strikes, Closures and Unrest
Security Services Providers	Political and Governance Instability	Corruption, Bribery and Corporate Frauds	Strikes, Closures and Unrest
Education	Corruption, Bribery and Corporate Frauds	Political and Governance Instability	Workplace Violence and Sexual Harassment
Financial Services	Information and Cyber Insecurity	Corruption, Bribery and Corporate Frauds	Strikes, Closures and Unrest
Government/PSU	Strikes, Closures and Unrest	Corruption, Bribery and Corporate Frauds	Political and Governance Instability
Infrastructure	Corruption, Bribery and Corporate Frauds	Political and Governance Instability	Business Espionage

Yearly Trends

Risk Ranking Over the Years



While analyzing the trends for the top risks that affect Corporate India, it emerges that the risks of 'Corruption, Bribery and Corporate Frauds', 'Strikes, Closures & Unrest', 'Political & Governance Instability', 'Crime' and 'Information & Cyber Insecurity' remain the top five risks. There are some variations in perception of risks in some industries due to the typical nature of work.

Introduction

The emergence of the 'Global Village', a term popularised by Marshall McLuhan in the 1960s, has witnessed shrinkages of distances due to development in electronic connectivity across geographies. This has also added a new dimension to ways and means of doing business. Technology-inspired systems and financial growth now form the backbone of modern and powerful economies. The risks accompanied by globalisation and new methods of doing business have effortlessly impinged into the overall scheme of things. Alas, the risk mitigation techniques either travel leisurely or may not be germane to handling risks across the world. India stands at just that threshold today along with many of her counterparts.

India has come a long way in this corporate journey and it is an established fact that opportunities for doing business in India sustain the livelihood of millions of people all over the globe. There exists little difference in the way large multinationals operate in India as compared to established Western economies. The emergence of corporate hubs in the country, especially special economic zones, has led to a paradigm change in business models and the overall corporate architecture and attitude. However, there is a growing need for acknowledging the risks that find their way into the corporate sector owing to advancement in technology and rise of competition. These risks are apparent through the failures of some of the popular brands and the multitude of scams that have caused losses amounting to billions. The failure of some of the well-known business leaders to keep their businesses profitable does remind us to identify risks that remain omnipresent in the corporate tapestry across the country.

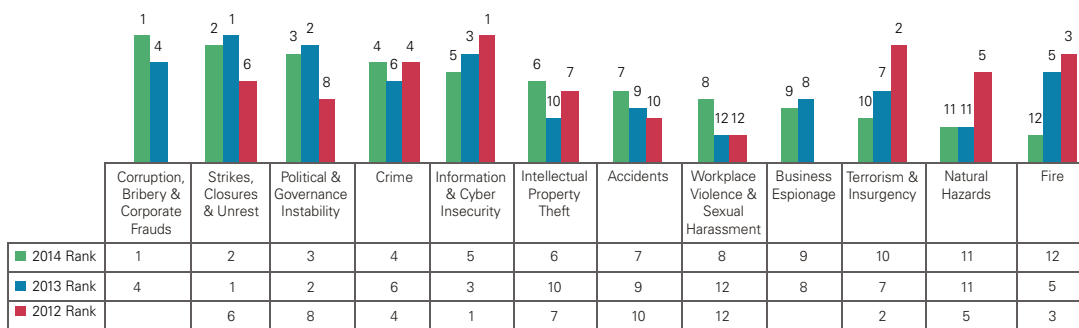
As professionals holding varying levels of management responsibilities within our organisation, it is imperative that we have the ability to identify risks that challenge our businesses. The same applies equally to the opportunities that must be seized to enhance the value of our goods and services. However, keeping in mind the transitional phase the Indian economy is going through, it is important to balance out the existing opportunities with the emergent risks that have affected or have the potential to affect industries or sectors that we work in.

This survey is a joint effort by FICCI and Pinkerton to recognise these incidents and study their impact across the industry spectrum and geographical regions of the country. The results of the survey are based on a collation from a set of 12 risks that have been identified after a series of brain-storming sessions. Indian Risk Survey 2014 thus aims to supplement the inputs that we hope will help our business leadership in taking sound decisions and in having a secure corporate existence. The applicability of the risks to an organisation can vary and this document should not be treated as a consultative or suggestive report.

Trend Analysis

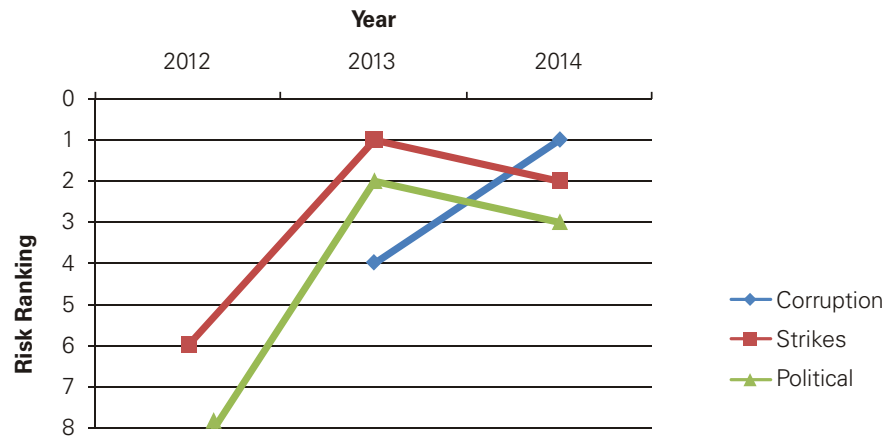
Yearly Trends

Risk Ranking Over the Years



While analysing the trends for the top risks that affect Corporate India, it emerges that the risks of 'Corruption, Bribery and Corporate Frauds', 'Strikes, Closures & Unrest', 'Political & Governance Instability', 'Crime' and 'Information & Cyber Insecurity' remain the top five risks. There are some variations in perception of risks in some industries due to the typical nature of work.

Factors Influencing the Risk Gainers



Corruption, Bribery and Corporate Frauds

- Unprecedented number of scandals and fraud cases have been reported from government and corporate sector in recent times.
- Delay in investigation of bribery cases and at judiciary in disposal of cases brings adverse impact.
- Banks incurring NPAs to the tune of INR 140,000 Crores (USD 25 Billion) with possibility of portion of funds lost to frauds rather than to business losses only.

Political & Governance Instability

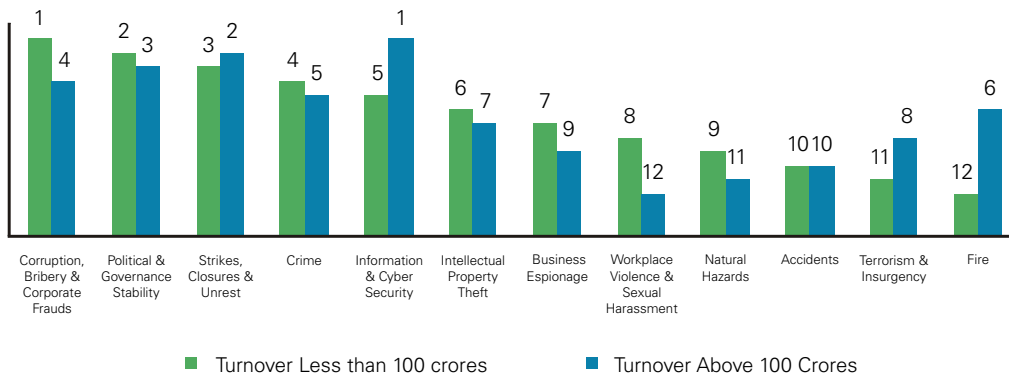
- Allegations of corruption on the government and policymakers.
- Increased media coverage, often providing judgemental verdict.

Strikes, Closures & Unrest

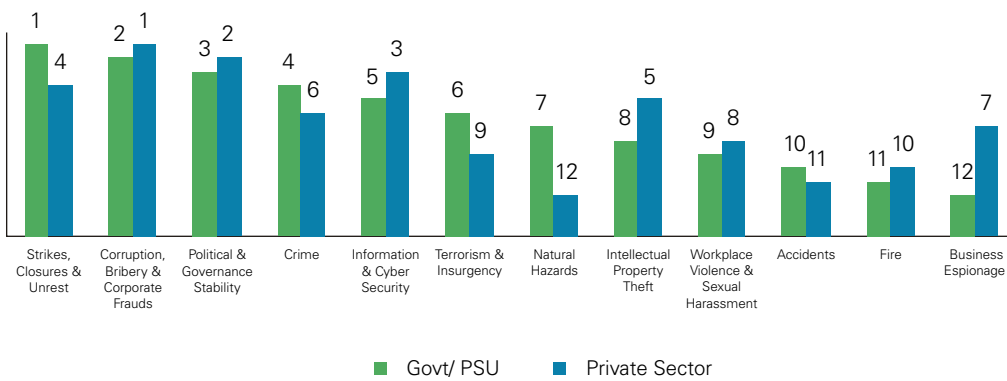
- Increased intensity of incidents, often resulting in civic disturbance and violence.
- International and national media coverage.

Risk Ranking Comparison

Small Scale Vs Large Scale Industries

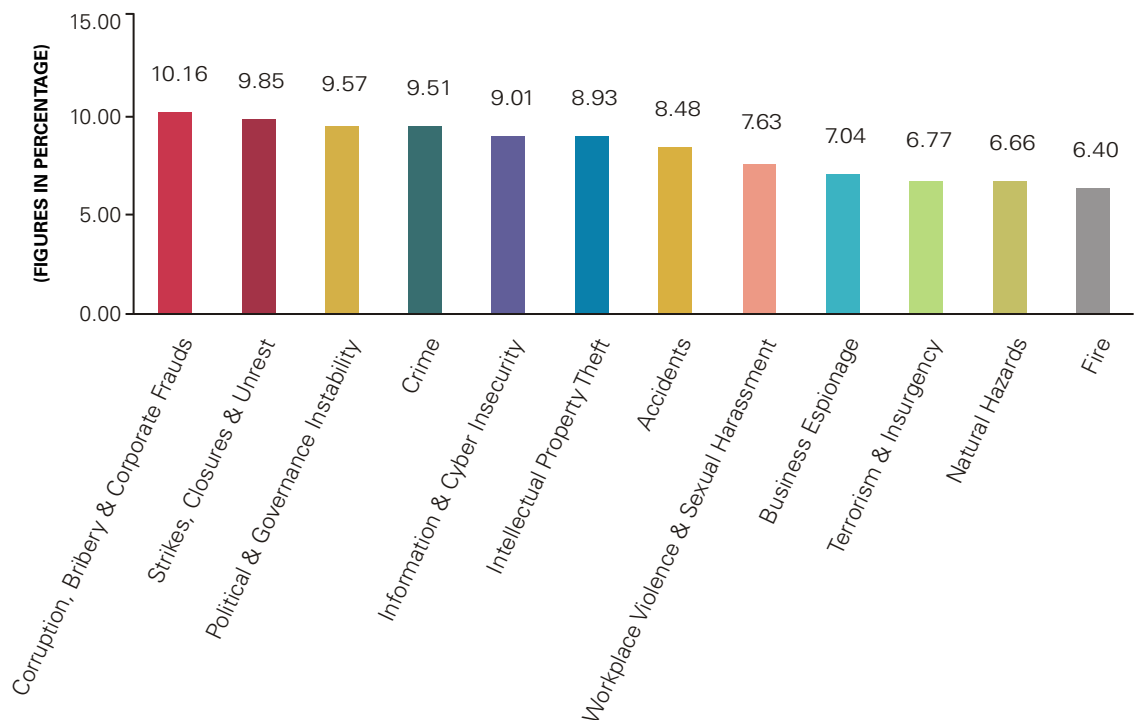


Govt./ PSU Vs Private Sector



Overall Risk Ranking

Overall Ranking of Risks



IRS 2014 result presents the panorama of the risk landscape covering the geographical regions and the industry sectors of India. There have been some surprise findings that have emerged during 2014. Corporate India has given a definite indication that 'Corruption, Bribery and Corporate Fraud' poses the greatest threat to the overall functioning of companies across the industry spectrum. This risk was ranked as fourth in 2013. The risk of 'Strikes, Closures and Unrest' continues to remain in the top three category of risks primarily on account of the number of disruptions that have been caused in the normal business activity in 2013. The forthcoming elections and the degree of political uncertainty have had a definite impact on the ranking of the risk of Political & Governance Uncertainty which has been ranked as the number three risk in IRS 2014. The risk of Crime has seen a jump from the earlier ranking of number six to number four. This has mainly been due to the rising crime graph across the country particularly our major cities that have been affected by petty crime. Information and Cyber Insecurity has been ranked at number five which was the same ranking as last year. Corporate India has ranked the risk of Terrorism as insignificant due to the year on year decline of such incidents. Business Espionage and Natural Hazards which can have a serious impact on business have been ranked number eight and eleven respectively. The rating of fire as the last risk does come as a surprise in the survey. Possible reasons can be the growing awareness and the measures that are being taken by companies to mitigate this risk.

Corruption, Bribery and Corporate Frauds: Recognised as the Top Risk

Corruption, bribery and corporate frauds are now being recognised as major risks that affect businesses in India, a fallout of some major frauds and scandals that have come to light in the last few years. Business leaderships have a tendency to shy away from reporting these openly, but they do acknowledge that huge losses happen due to incidents of fraud. The government has now made considerable efforts to investigate these incidents of corporate frauds and bring the culprits to book. Over the last few years whistle-blower programmes have got the needed impetus in addition to the media playing an important role.

Strikes, Closures & Unrest: A Disturbance to Business Functioning

Strikes have now been graded as the second-most disturbing risk that affects the business environment in India. The respondents from outside the country also view strikes amongst the top five risks in India. The prime reason for strikes being recognized as a top risk is frequent disruption of business of multinational companies. The affect of strikes is more felt in the public domain wherein strikes called by political parties due to some policies of the government, disrupt normal life and in turn the functioning of corporations.

Political & Governance Instability: Shaking the Confidence of Business

Political & governance instability made an entry into the top five risks last year. The possibility of a change in the government after the forthcoming general elections has created a degree of uncertainty amongst the general population and the business community. The slowing down of decisions in certain key economic initiatives has had an adverse impact on the confidence of our business leaders. In addition, there prevails an atmosphere of uncertainty with regard to certain key policy decisions. These together have shaken the confidence of the business community in India.

Crime

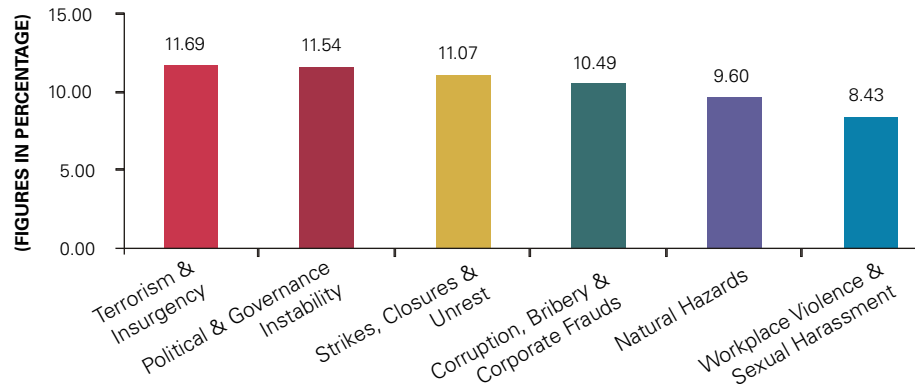
Crime has been graded as the fourth risk in India. The increase in crime rate in India is a cause of worry for the Indian economy. Crime against women has seen a rise in the last one year. India remains as one of the violence prone nations with violent crimes registering a 65 per cent increase. Foreign respondents to the survey have also recognised the increasing percentage of crime as one of the major dampeners that inhibit prospects of business in India. The fall in tourist traffic in India can also be attributed to the rise in the level of crime in the country.

Information and Cyber Insecurity

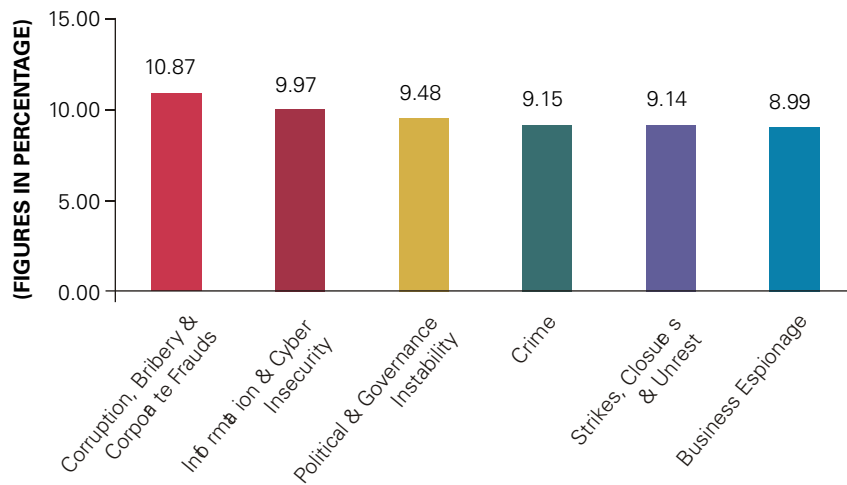
The trend of Information and Cyber Insecurity being amongst the top five risks continues even this year. There is however an overall improvement in the risk rating which in 2012 was the top risk and this year it has been graded as the No 5 risk. The improvement is largely attributed to the overall awareness of IT security amongst the IT companies in India. The banking sector however continues to be more prone to cyber frauds. Also, government websites continue to be targeted particularly due to international publicity that hackers get and the opportunity to portray the government in the poor light.

Region Wise Risk Ranking

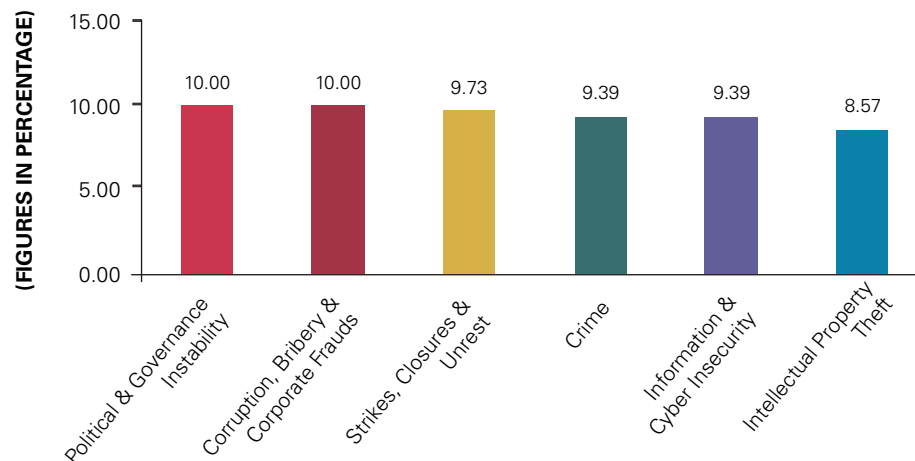
Risk Ranking – Eastern Region



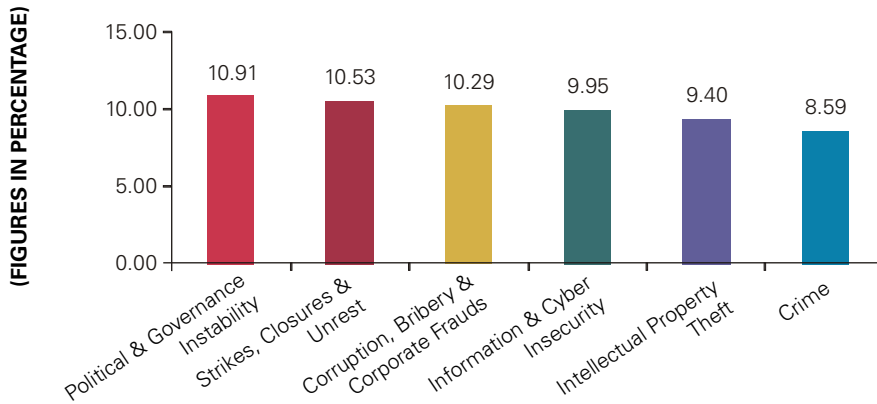
Risk Ranking – Western Region



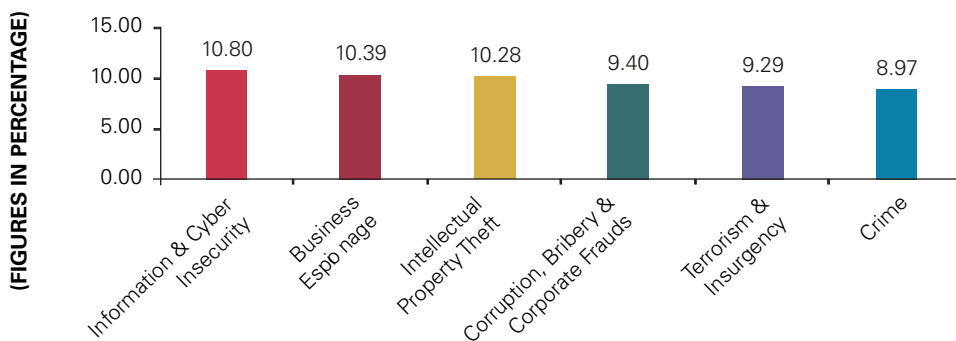
Risk Ranking – Northern Region



Risk Ranking – Southern Region



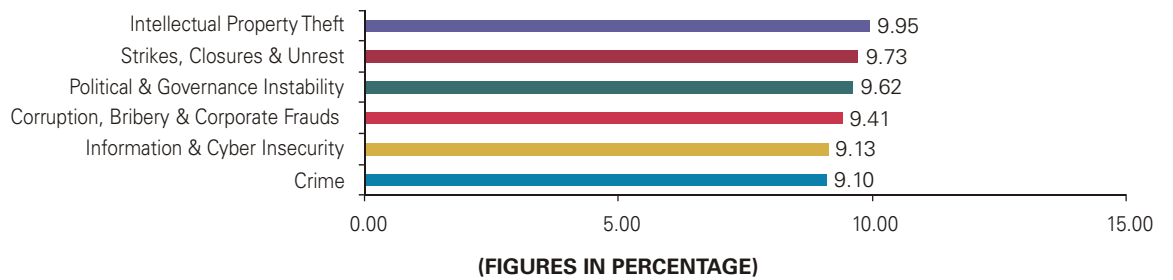
Risk Ranking as Perceived from Outside India



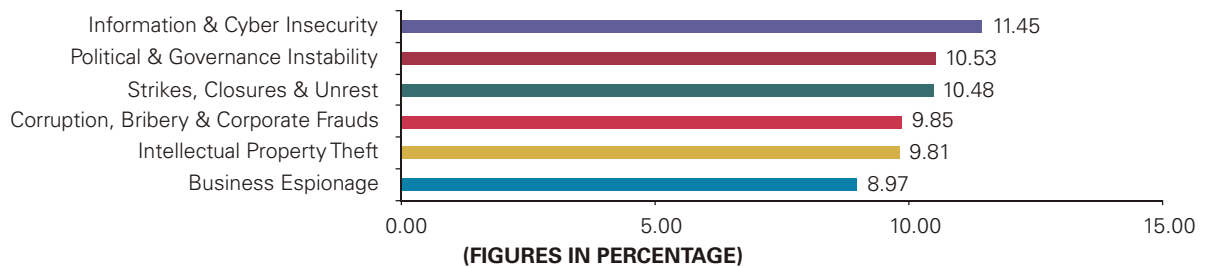
The ranking of the risks for the four geographical regions of India has seen 'Political & Governance Instability', 'Corruption, Bribery and Corporate Frauds' and 'Strikes, Closures and Unrest' being graded as the top three risks respectively. The risk of 'Crime' continues to be graded high due to the increased rate of crime in our cities over the last two years. The threats of 'Natural Hazards' and 'Terrorism and Insurgency' become priority in the eastern region although they have not been graded as the top risks. The respondents based out of India have perceived 'Information and Cyber Insecurity', 'Business Espionage' and 'Intellectual Property Theft' as the top risks that affect business prospects in India. The ranking of the risk of 'Terrorism and Insurgency' fell from second position in *IRS 2014* to fifth position this year, which indicates that the companies outside view this as a lower risk.

Industry Wise Risk Ranking

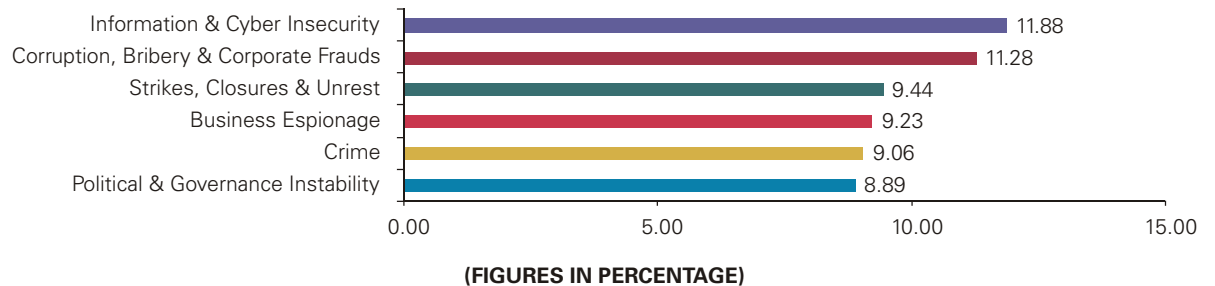
Risk Ranking – Manufacturing



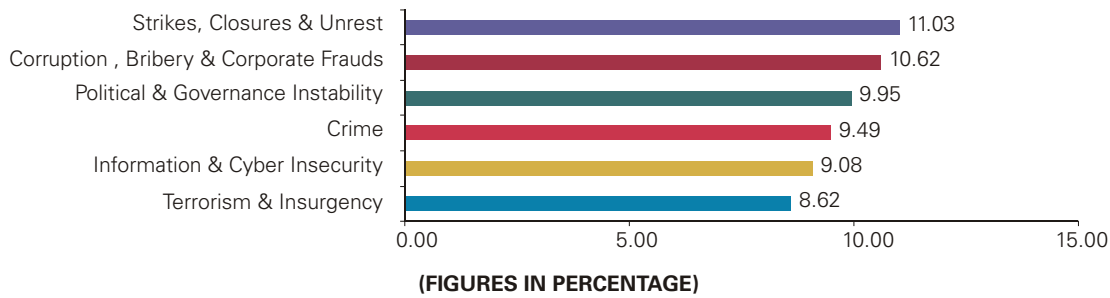
Risk Ranking – IT / ITES



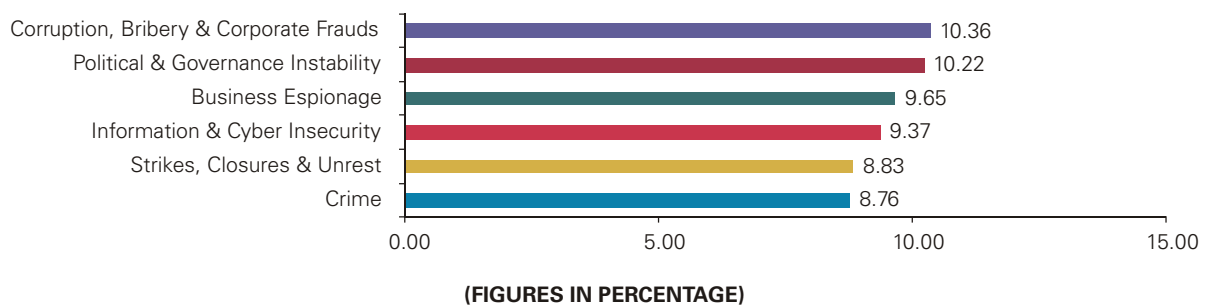
Risk Ranking – Financial Services



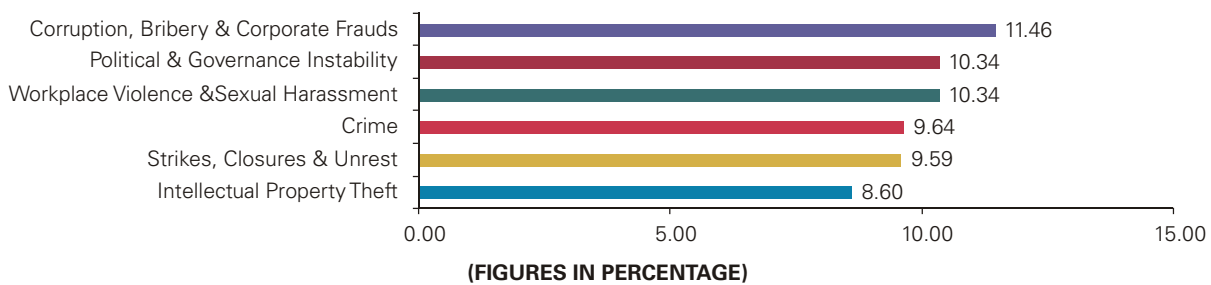
Risk Ranking – Govt / PSU



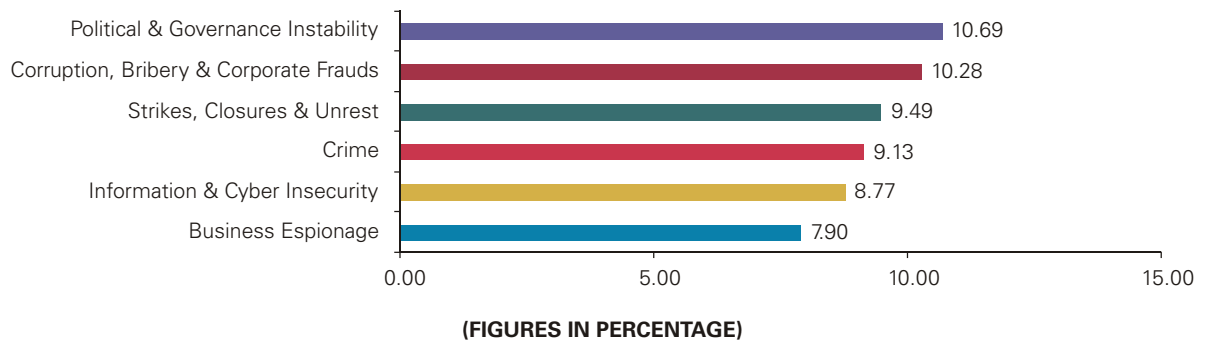
Risk Ranking – Infrastructure



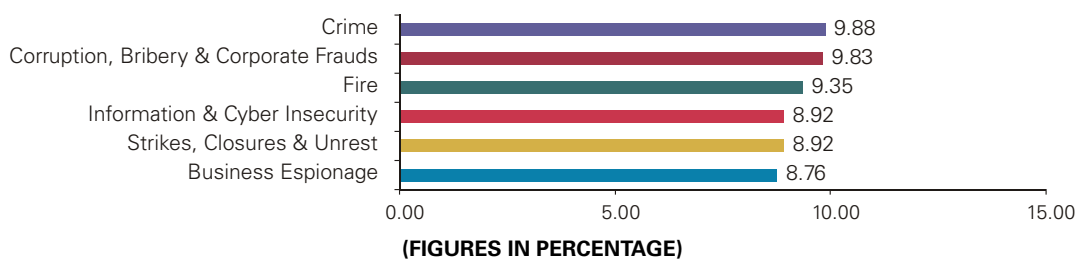
Risk Ranking – Education



Risk Ranking – Security Services Providers



Risk Ranking – Hospitality



Industry wise risk ranking indicates a very divergent picture of the risks similar to the results obtained in *IRS 2013*. The manufacturing industry views the risks of 'Intellectual Property Theft', 'Strikes, Closures and Unrest' and 'Political & Governance Instability' as the top three risks. The IT industry has graded 'Information and Cyber Insecurity', 'Corruption, Bribery & Corporate Frauds' as the top three risks. Security services see the risks of 'Political & Governance Instability', 'Corruption, Bribery & Corporate Frauds' and 'Strikes, Closures and Unrest' as the top risks for their industry. The respondent from Govt / PSUs sector have graded the risk of 'Strikes, Closures and Unrest', 'Corruption, Bribery & Corporate Frauds' and 'Political & Governance Instability' as the top three risks. For the retail industry, 'Political & Governance Instability' still remains as the number one risk.

Risk Categorisation

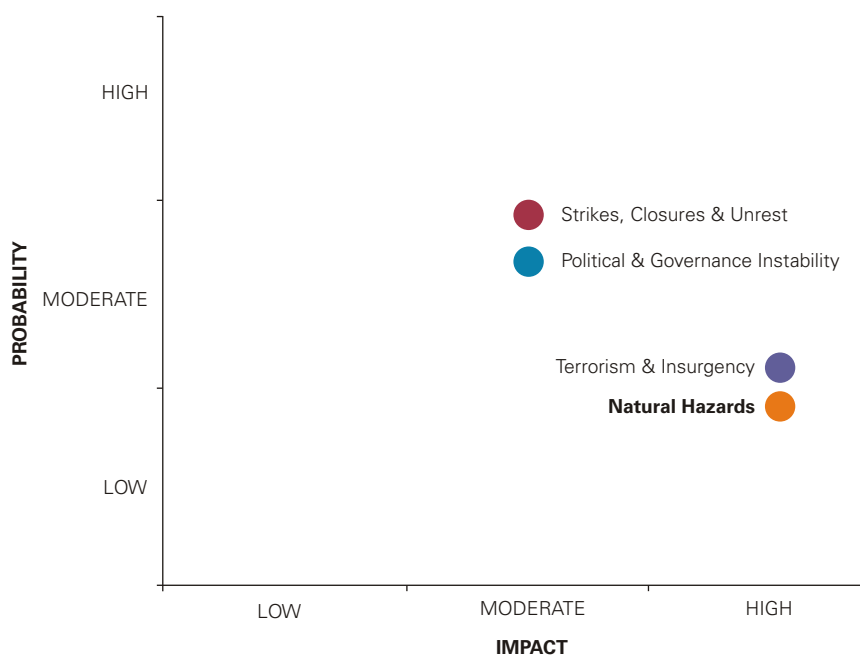
IRS 2014 categorizes risks in three categories viz Strategic, Operational and Safety risks. Strategic Risk points towards a source of loss arising from poor business decision, improper implementation of decision, inadequate resource allocation or from a failure to respond well to the changes in the business environment. Operational Risk is defined as the probability of loss occurring from the internal inadequacies of an organisation or a breakdown in its controls, operations or procedures. Safety Risk is the risk which has the potential to put employee safety at risk. These risks could be internal or external. Employees being critical assets to an organisation, any potential hazard or threat to them affects the business continuity.

IRS 2014 pictorially represents the particular risks that fall within the categories of Strategic, Operational and Safety risks. The probability and impact of these risks defines their importance to Corporate. The categorisation is generic, some of the risks considered 'Strategic' for some industries can be considered as 'Operational' for another set of industries.

Strategic Risks

Strategic Risks	Probability	Impact
Strikes, Closures & Unrest	Moderate	Moderate
Political & Governance Instability	Moderate	Moderate
Terrorism & Insurgency	Low	High
Natural Hazards	Low	High

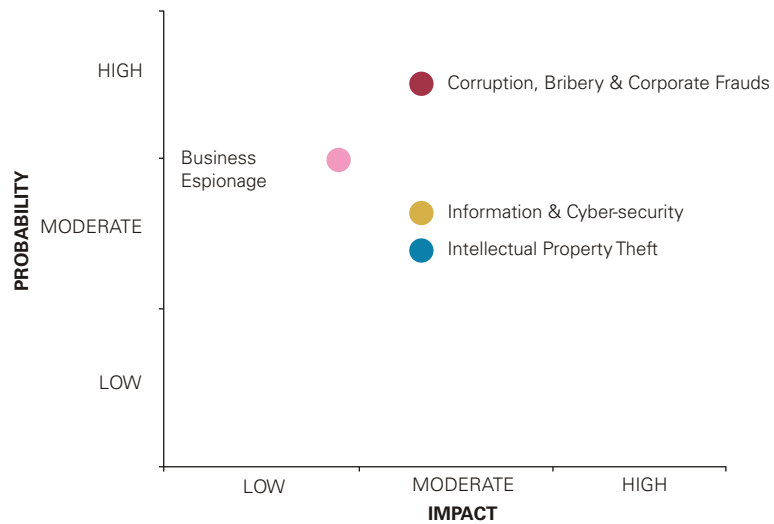
Strategic Risks



Operational Risks

Operational Risks	Probability	Impact
Information & Cyber Insecurity	Moderate	Moderate
Corruption, Bribery & Corporate Frauds	High	Moderate
Business Espionage	Moderate	Moderate
Intellectual Property Theft	Moderate	Moderate

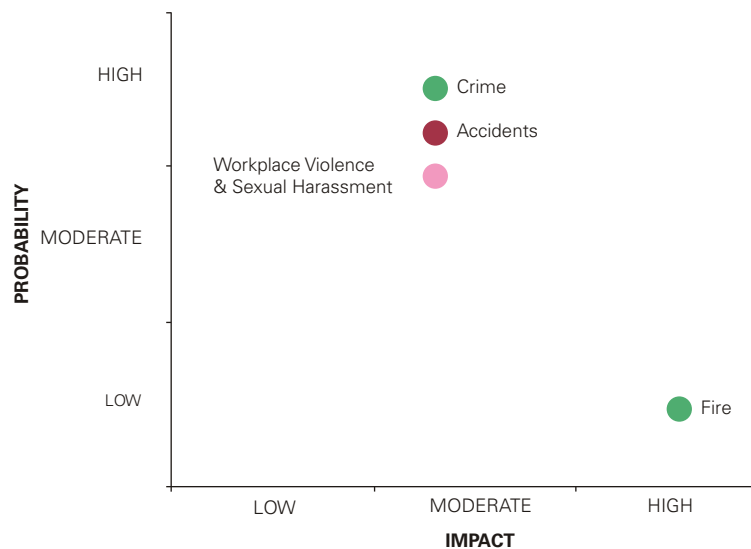
Operational Risks



Safety Risks

Safety Risks	Probability	Impact
Fire	Low	High
Crime	Moderate	Moderate
Workplace Violence & Sexual Harassment	Moderate	Moderate
Accidents	Moderate	Moderate

Safety Risks



Risks - In Detail

Corruption, Bribery and Corporate Frauds

2014	2013	2012
1	4	-
Trend <ul style="list-style-type: none"> Unprecedented number of scandals and fraud cases have been reported from government and corporate sector in recent times. Delay in investigation of bribery cases and at judiciary in disposal of cases brings adverse impact. Banks incurring NPAs to the tune of INR 140,000 Crores (USD 25 Billion) with possibility of portion of funds lost to frauds rather than to business losses only. 		

Since 2010, corruption cases have seen an unprecedented growth. This observation has also been supported by the International Watchdog, Transparency International. The 'corruption perception' index rating of India was 87 in 2010 and slipped to 94 out of 177 countries in 2013². The ranking on the World Bank index of 'ease of doing business' amongst the selected 189 countries also saw India fall three notches from 131 in 2012 to 134 in 2013³. This downward trend is primarily attributable to increased cases of corruption in bureaucratic and political arenas. Since 2010, several scams continue to negatively impact India's position and reputation in the corporate world. Even in the first three months of 2014, a number of scams have already been reported in the newspapers, viz. The Indian Railways-Railtel Corporation of India mobile scam⁴, Hindustan Aeronautics Limited and Rolls-Royce defense scam-10,000 crores⁵, Air India Family Fare Scheme scam⁶, Bokaro steel plant recruitment scam⁷, to name a few.

Corporate frauds also continued to add to revenue loss involving a number of companies. The trend of under-reporting these losses is apparent from the survey results which ranked the risk corruption as very high in India. Some of the major types of frauds reported by Indian firms include theft of physical assets, corruption and

1 IFC and The World Bank. 2013. *Doing Business 2014: Understanding Regulations for Small and Medium-size Enterprises*. Washington DC: The World Bank. Website: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB14-Full-Report.pdf>.

2 Transparency International. 2014. "Corruption by Country / Territory – India". http://www.transparency.org/country#IND_DataResearch_SurveysIndices

3 IFC and The World Bank. 2014. "Ease of Doing Business in India". <http://www.doingbusiness.org/data/exploreeconomies/india>.

4 Neeraj Chauhan. 2014. "RailTel officials under CBI lens in 'mobile scam'". *The Times of India*. 13 March. <http://timesofindia.indiatimes.com/india/RailTel-official-under-CBI-lens-in-mobile-scam/articleshow/31909960.cms>.

5 Rajat Pandit. 2014. "Another scam hits defence ministry, Anthony orders CBI probe". *The Times of India*. 3 March. <http://timesofindia.indiatimes.com/india/Another-scam-hits-defence-ministry-Antony-orders-CBI-probe/articleshow/31301383.cms>.

6 PTI. 2014. "Air India hit by another scam; writes to CBI for probe". *The Economic Times*. 21 February. http://articles.economicstimes.indiatimes.com/2014-02-21/news/47559949_1_probe-report-chief-vigilance-officer-cbi.

7 TNN. 2014. "CBI raid BJP leader, ex-governor in steel plant scam". *The Times of India*. 29 January.

bribery, internal financial frauds and information theft, etc⁸. Despite the importance accorded to prevention of corporate frauds, the perpetrators are able to find loopholes in the judicial system, making it difficult to bring the culprits to book. In 2013, slow pace of investigations in the Saradha Chit Fund scam caused financial losses worth approximately INR 2,460 crores to the depositors in Kolkata⁹. In August 2013, General Motors (GM) was accused of cheating its customers for fitting sub-standard engines in Chevrolet Travera models. The company recalled 1.14 lakh units of its model¹⁰. The Bombay High Court directed the Central Bureau of Investigation (CBI) and the Ministry of Road Transport and Highways to carry out further investigations. The inter-ministerial fact-finding committee formed to probe allegations of non-compliance of emission norms and other violations in the production of vehicles, also recommended a fine of INR 11 crore on GM, India for corporate fraud.

The growing magnitude and frequency of such acts of corruption, bribery and corporate frauds are likely to affect future foreign direct investments in India.

“Not only must we focus on recoveries, but there must be a proper plan... There must be early warning signals and stronger post sanctioning monitoring.”

Arundhati Bhattacharya,
SBI Chairman on ERM with relation stressed assets

“More than corruption the system which generates corruption is a bigger evil. Dismantling such system will ensure a corruption free society.”

S.K. Bansal, President-India Chapter ACFE

- 8 Bhavna Gupta. 2013. "Corporate fraud risk rise in India; junior employees mostly seen as key culprits". VCCIRCLE. 23 October. <http://www.vccircle.com/news/finance/2013/10/23/corporate-fraud-risk-rise-india-junior-employees-mostly-seen-key-culprits>.
- 9 Nikhil Inamdar. 2013. "India's top 5 corporate scams stuck in judicial quagmire: Tardy investigations have allowed the chief architects of India's biggest corporate heists to enjoy immense impunity". *Business Standard*. 30 October. http://www.business-standard.com/article/companies/india-s-top-5-corporate-scams-stuck-in-judicial-quagmire-113103000230_1.html
- 10 Chanchal Pal Chauhan. 2013. "Tavera mess: GM India likely to face Rs 11-crore fine on charges of corporate fraud". *The Economic Times*. 23 October. http://articles.economicstimes.indiatimes.com/2013-10-23/news/43326550_1_gm-india-general-motors-india-chevrolet-tavera.

Strikes, Closures and Unrest

2014	2013	2012
2	1	6
Trend <ul style="list-style-type: none"> • Strikes, closures and unrest continue to remain important for corporate India as the economy grows further. • Closures, either at the national level or at the state level, are causing losses worth several millions of rupees to India and foreign companies operating in the country. • Closures in Andhra Pradesh due to Telangana Agitation have already caused losses of INR 8 billion to the state exchequer. 		

In India, companies and businesses continue to suffer losses worth millions of rupees due to strikes, closures and unrest every year. The unwillingness of the company's management to open negotiations with the aggrieved workers and trade unions, often results in industrial strikes. In July 2012, violence and subsequent strike in the Maruti's Manesar plant in Haryana cost the company a loss of INR 1 billion and resulted in the decline of its operations by 10 per cent¹¹. In February 2013, a second strike within a month at Mahindra and Mahindra's Igatpuri plant resulted in the decline of passenger car sales growth rate by 25.7 per cent¹². The plant rolls out about 1,600 units per day. In terms of revenue, the per-day loss amounted to approximately INR 70 crore.

The corporate sector in India also suffers losses from closures or bandhs, either at the state level or at the national level. The State of Andhra Pradesh suffered revenue losses of over INR 8 billion due to closures that took place soon after the central government gave approval for the creation of a separate State of Telangana.¹³ During these bandh and closure calls, buses and other modes of public transport remained off the road. The Andhra Pradesh State Regional Transport Corporation (APSRTC) also suffered losses of around INR 40 million.¹⁴

11 Agamoni Ghosh. 2013. "Major labour strikes that shook the automobile industry: A quick look at some of the major upheavals in the auto sector." *Business Standard*. 15 April. Web: http://www.business-standard.com/article/companies/major-labour-strikes-that-shook-the-automobile-industry-113041500150_1.html.

12 PTI. 2013. Strike at Mahindra's Igatpuri plant, production affected." *The Economic Times*. 10 April. http://articles.economictimes.indiatimes.com/2013-04-10/news/38434261_1_nashik-plant-igatpuri-labour-unrest.

13 Rediff.com. 2011. "Telangana fury is costing AP Rs. 800 cr a day" 24 February. <http://www.rediff.com/news/slide-show/slide-show-1-telangana-fury-is-costing-ap-rs-800-cr-a-day/20110224.htm>.

14 Newswala.com. 2013. "Telangana Bandh evokes mixed response". 15 June. <http://www.newswala.com/Hyderabad-News/Telangana-Bandh-evokes-mixed-response-40721.html>.

In 2012-13, the public sector oil giant Oil India Ltd. (OIL), which has its headquarters in Dibrugarh district of Assam, suffered losses of over INR 2 billion due to more than 290 closures and blockades called by the separatist organisations in the state¹⁵.

Civil unrest in the form of riots, protests (violent or non-violent), demonstrations, etc have also caused losses to the corporate sector. In January 2014, a 48-hour sit-in protest by the Chief Minister of Delhi resulted in the closure of four metro stations in the capital¹⁶. A large number of employees were unable to reach their offices on time due to the protest, resulting in large absenteeism and consequent unaccounted financial losses to the affected companies.

“*Strikes and closures related to labour and public unrest invariably impede productivity, consequently reduce competitiveness of products and thus have a negative impact on investor sentiment, clearly evident in lack of excitement in the manufacturing sector despite India offering significant advantage in terms of labour costs amongst the high growth countries.*”

Amit Pandey
Security Manager India -Honeywell

Political and Governance Instability

2014	2013	2012
3	2	8
Trend <ul style="list-style-type: none"> • Uncertainty of regime change after the forthcoming general elections in 2014 and consequent policy modifications. • Certain changes in the style of politics have been noticed in 2013. • Political and Governance Instability continue to remain among the top three risks. 		

The risk of Political and Governance Instability focuses on political uncertainty and its impact on governance and decision-making. Political instability has the potential to adversely affect economic growth of any country by discouraging investments and hindering business prospects. According to a research conducted by the UK risk analysis firm Maplecroft, political instability has increased worldwide in 2013. There have been growing incidents of conflict, terrorism, political violence and toppling of regimes in the Middle East, and North and East Africa. As per the report, since 2010, one in 10 countries has significantly high levels of short-term political risks¹⁷. Even though an overall decline in political violence in the last several years in India has

15 K. Anurag. 2013. "Assam: OIL incurs Rs 200 cr loss due to bandhs, blockades". 2 July. <http://www.rediff.com/business/report/assam-oil-incurs-rs-200-cr-loss-due-to-bandhs-blockades/20130702.htm>.

16 TNN. 2014. "Defiant Kejriwal says protest will continue". *Times of India*. 21 January. <http://timesofindia.indiatimes.com/india/Defiant-Kejriwal-says-protest-will-continue/articleshow/29142948.cms>.

17 Sophie Brown. 2013. "Report: Political instability on the rise". CNN. 12 December. <http://edition.cnn.com/2013/12/11/business/maplecroft-political-risk>.

encouraged foreign investors, however, recent events have been viewed negatively by the business community across the world. Aon Crisis Management Web Analytics rated 'risks of doing business' in India as 'very high (VH)'.¹⁸

In the forthcoming Indian general elections in April-May 2014, there are speculations for a possible regime change. The UN *World Economic Situation and Prospects 2014* further reports that economic growth in India was held back by weak household consumption and sluggish investments¹⁹. Moreover, long periods of gridlock in the Indian Parliament resulted in failure to pass necessary reforms. As India stands on the brink of electing a new dispensation, fear of political instability remains high.

Further, a tendency to reverse key economic decisions of the predecessor government adversely affects new investment, particularly foreign investments. Such policy reversals after each election not only discourage foreign investors but also put the country's reputation at risk in the international market.

On January 25, 2014, during the the Republic Day address, the President of India also expressed concerns over the likelihood of political instability, resulting from a possibly hung Parliament after the upcoming general elections.²⁰ The President asked the people to elect a government, which could prove stable in the long run, as political stability is closely related to economic growth. However, investors are hopeful that the current dismal growth scenario in India might turn positive once the new government is sworn in after the general elections in 2014.

“*Political and governance instability will not lead to creation of employment which is the most important issue facing the nation and its youth. A policy environment that trusts businessmen and entrepreneurs is the need of the hour. India's ranking on ease of doing business has to improve by 50 places in the next twelve months if any impact has to be made.*”

G.K. Pillai, *Chair, FICCI Homeland Security Committee and Former Union Home Secretary, Govt. of India*

18 KAon plc. 2013. "Crisis Management Web Analytics": http://www.riskmap.aon.co.uk/Political_Risk_Map.aspx.

19 Yoshita Singh. 2014. "Indian economy projected to grow at 5.35% in 2014: UN". 24 January. <http://businesstoday.intoday.in/story/indian-economy-projected-to-grow-at-5.35percent-in-2014-un/1/202638.html>.

20 CNN-IBN. 2014. "Full text: President's speech on Republic day eve". 25 January. <http://ibnlive>

Crime

2014	2013	2012
4	6	4
Trend <ul style="list-style-type: none"> Women, children and senior citizens emerge as the most vulnerable groups. Tourist traffic was affected by 8-10 per cent in 2012-13, with the increasing crime rate being the major contributor. Crime against foreign nationals, especially women, has registered a significant increase. 		

The increase in crime rate in India is a cause of worry for the burgeoning Indian economy. India remains as one of the violence-prone nations with percentage of violent crimes registering a 65 per cent increase in 2012. Safety and security of women, children and senior citizens also remain uncertain as rate of crime has risen to 6.8 per cent and 15.33 per cent respectively in 2012. In Mumbai, crime against women has doubled since 2012. Till July 2013, 1,723 cases of crimes against women were registered as against 753 such offences between January and July 2012. Rape cases have registered 100 per cent increase (from 111 cases in 2012 to 224 cases in 2013) in the city.²¹

Crime against foreign nationals has also registered a marginal increase. There have been several reported incidents when foreign women tourists in India were raped, molested, robbed and attacked by antisocial elements. In August 2013, a US national was attacked when she resisted a robbery attempt while she was alone in the ladies' compartment of a local train in Mumbai.²² In December 2013, three foreign women nationals were robbed of their belongings in Goa, which attracts the highest number of foreign tourists in India. In November, another foreign national accused an official working in the visa department for sexually harassing her in his office. On January 15, 2014, a Danish woman was raped by criminals when she lost her way to her hotel in New Delhi. In the same month, another foreign national accused a taxi driver of raping her when she was coming to Delhi from Mathura. These incidents have the potential to adversely affect the tourism and hospitality industry in India. A number of Western nations continue to issue travel advisories warning their citizens, especially women travellers to exercise caution while travelling to India. Other forms of crime like murders, robbery, snatching and abduction of foreign nationals are rare and found to have lesser impact on business clients and foreign travellers

“ The key to an effective Risk Management for the BPO industry lies in designing the system as a process that takes into account the integration of people, process and technology that work together as a cohesive whole. ”

Gurdeep Bains, Managing Director- EDM
Global Asset Protection (GAP)

21 HT Correspondent. 2013. "Crime against women more than double in 2013." *Hindustan Times*. 24 August. <http://www.hindustantimes.com/india-news/mumbai/crime-against-women-more-than-double-in-2013/article1-1112148.aspx>.

22 PTI. 2013. "American Women attacked, robbed inside Mumbai local train." *The New Indian Express*. 19 August. <http://www.newindianexpress.com/nation/American-woman-attacked-robbed-inside-Mumbai-local-train/2013/08/19/article1741761.ece#.UyLm8j-SyPw>.



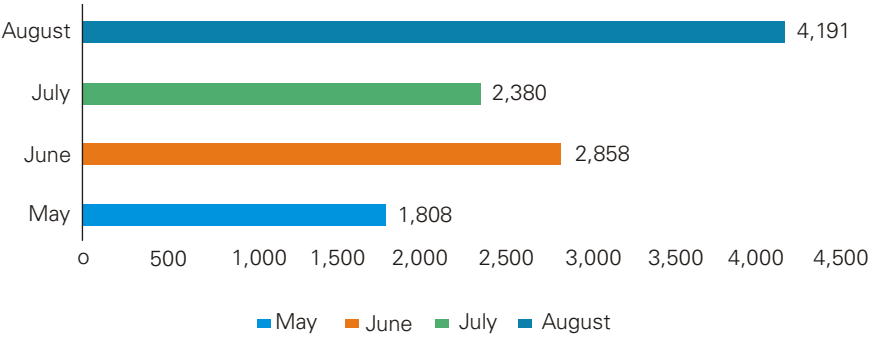
Information and Cyber Insecurity

2014	2013	2012
5	3	1

Trend

- From 2011 to 2013, a total of 308,371 websites were hacked in India.
- In 2013, India registers an 11 per cent increase in ransom ware and 7 per cent increase in phishing attacks.
- Ill effects of social media and online rumours surfaced during mass exodus of north eastern community from Bangalore.

The risk of information insecurity in India has risen with an exponential rise in cyber attacks/crimes in 2013. A total number of 308,371 websites, of which 78 belonged to the Indian government, were hacked between 2011 and 2013²³. As per the findings of the Computer Emergency Response Team (CERT), 11,237 websites were defaced and hacked in the second quarter of 2013. The following graph will depict the month-wise break-up of cyber attacks on Indian websites.



Data source: <http://articles.timesofindia.indiatimes.com>

²³ PTI. 2013. "78 govt. websites hacked till June this year: Milind Deora." *The Economic Times*. 7 August. http://articles.economictimes.indiatimes.com/2013-08-07/news/41167675_1_cyber-attacks-national-cyber-security-policy-websites.

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Some of the main cyber offenders who remained active in India in 2013 include SA3D HaCk3D, h4x0r HuSsY, SanFour2S, BD GREY HAT HACKERS, Suwario, SpyDy, hasnain haxor, CouCouM.²⁴

In 2013, India witnessed an 11 per cent increase in ransom ware and identity theft followed by a 9 per cent increase in phishing attacks. While 56 per cent internet users reportedly experienced some form of online bullying, online stalking, online hate crimes or other forms of online harassment, 63 per cent of smartphone users in India have experienced some form of mobile cyber crime. Just like 2012, India, in 2013, has been ranked among the world's top five countries for highest number of cyber crimes. The average cost per cyber crime victim increased from USD 192 in 2012 to USD 207 in 2013.²⁵

The year 2013 also saw the emergence of the power of social media and its ill effects in the form of online rumours. The Muzaffarnagar riots in 2013 and Bangalore cyber terror attack in 2012, which led to mass exodus and displacement of thousands, have showed that social media can be easily misused. The trend of online gaming and online trading in virtual currencies like Bitcoins has gained ground in 2013 without any legislative and regulatory sanctions. The Indian National Cyber Security Policy 2013 requires effective implementation. India's efforts to set up a portal jointly with the US to check cyber crimes such as hacking and misuse of social media platforms, especially when servers are based in the US, will help in regulating the rise in transnational cyber crimes.²⁶

“ Information Technology compliance is crucial due to the negative impact of a security breach and the consequences under the law. The Information Technology Act places a duty on the organization to “..maintain reasonable security practices..” In the event of an unfortunate incident, the directors and the management in charge would also be held liable. The liability and impact of a security breach would be catastrophic for an unprepared organization. ”

Rodney D. Ryder, Partner – Scriboard

24 Rajib Singla. 2013. “Cyber crimes against India: Increasing in leaps and bounds” 21 November. <http://blogs.quickheal.com/wp/cyber-crimes-against-india-increasing-in-leaps-and-bounds>.

25 K. Sreedevi. 2013. “India in top five in cyber crimes.” *Deccan Chronicle*. 23 October. <http://www.deccanchronicle.com/131023/news-current-affairs/article/india-top-five-cyber-crimes>.

26 Ryan Huang. 2013. “India to set up portal with US to check cybercrime” ZDNet. 23 December. <http://www.zdnet.com/in/india-to-set-up-portal-with-us-to-check-cybercrime-7000024593>.

Intellectual Property Theft

2014	2013	2012
6	10	7
Trend <ul style="list-style-type: none"> • Counterfeiting led to annual losses worth USD 7.8 billion to the national exchequer. • Finance, entertainment and apparel sectors remain the most affected due to counterfeit products. • India IPR regime is at par with international standards; we need to focus more on enforcement. 		

India's record in protecting copyrights, patents and other intellectual property is not seen as impressive by the international community. The threats to intellectual property in India are both internal (email web access, data storage sites, flash drives, CDs, printing, smartphones etc.) and external (hacking, SQL injections, viruses/malware/trojans, phishing, identity theft etc.).²⁷

Counterfeiting is another form of intellectual property theft, which cost the Indian exchequer approximately INR 26,000 crore annually. China, Russia and India were also cited as countries where pirated goods are traded freely.²⁸ The entertainment industry in Mumbai, suffers losses worth billions of rupees due to pirated movie CDs. Statistics released during the 7th Annual Intellectual Property Summit in Ahmedabad revealed that brand in India lose up to 20 per cent of market share and companies face roughly 10 per cent loss in revenue due to counterfeit products. The sectors most affected by counterfeiting are finance, entertainment, apparel, medicines, software, manufacturing, FMCG, automobile parts and electronics.²⁹ According to FICCI's study, counterfeit brands in India have resulted in a loss of over INR 16,546 crore to the national exchequer in 2012³⁰. India lost annual tax of more than INR 26,000 crore in 2012 due to counterfeiting, smuggling and tax evasion with a whopping INR one lakh crore worth of annual loss of sales.

“The impact of Intellectual Property Theft is multi-fold and impacts the consumer, government and companies. In many situations it not only dents the financial spectrum but also creates hazardous and unsafe situations through counterfeit products.”

Anubhav Jain, Head-South Asia IPR for HP

27 Srinjoy Banerjee. 2013. "India: The Lead Point". *Lex Orbis*. 27 September. <http://www.mondaq.com/india/x/265580/Trademark/THE+LEAK+POINTS>.

28 Stephanie Berrong. "Intellectual Property Piracy Harms Global Economy". *Security Management*. <http://www.securitymanagement.com/article/intellectual-property-piracy-harms-global-economy-005827>

29 Anonymous. 2014. "Counterfeiting cost India \$7.8 b annually". *Business Line*. 10 January. <http://www.thehindubusinessline.com/economy/counterfeiting-costs-india-78-b-annually/article5562416.ece>

30 Lalitha Srinivasan. 2013. "FMCG sector: Govt loss at Rs 16,546 cr due to counterfeit brands". *The Indian Express*. 5 September. <http://archive.indianexpress.com/news/fmcg-sector-govt-loss-at-rs-16546-cr-due-to-counterfeit-brands/1164967>. See also FICCI CASCADE. 2012. Social and Economic Impact of Counterfeiting, Smuggling and Tax Evasion in Seven Key Indian Industry Sectors. <http://www.ficci-cascade.com>.

Software Piracy

The transition of technology as a 'Force Multiplier' has brought about a paradigm shift in the way business transactions are done across nations. Technology has introduced new ideas, processes and solutions to our business practices. The flip side of technology as an enabler is the threat of frauds leveraging on technology that are ever increasing in intensity and sophistication. An innocuous email loaded with Trojan carries the potential to wreak havoc in an organisation. A pirated version of software can cause losses worth millions to its original manufacturer. It is a familiar sight in the grey market of people scouting for cheap products and software that look as good as the original. While it is an immediate gain of a couple of hundred rupees to the buyer of the pirated product, the impact can be a revenue loss of billions of rupees to a country. Over the last decade, counterfeiting and piracy are rapidly emerging as global risks of enormous scale, impacting virtually every industry sector. India is no exception. As India is moving towards a knowledge-based economy, protection of knowledge capital becomes essential for future growth. Software piracy affects the government by way of loss of tax revenue and the confidence of industry.

Software piracy is a term used to describe the act of illegally using, copying or distributing software without purchasing the software or having the legal rights to do so¹. Software piracy can be done through various means, which includes copying, downloading, sharing, selling, or installing multiple copies on to personal or work computers. It is important to understand that when somebody purchases software, the person is actually purchasing a license to use it. A mere purchase of software does not grant a right to the buyer to distribute it or to copy it among multiple users. Thus, all software buyers are required to read the license agreement whenever they buy software, as it would tell you how many times you can install the software, and whether you are permitted to make its duplicate copies. If at all the license permits you to make duplicate copies of the software, it is only for backup purposes. If you are making more copies of the software than the license permits, you are pirating². Unfortunately, majority of users of pirated products do not treat software piracy like other kinds of theft as nothing is physically taken away. Immediate loss is not apparent since the owner still has the legal possession of the product.

Types of Software Piracy

As per Symantec, there are five types of software piracy:

- Counterfeiting: Illegal duplication, distribution, and sale of copyrighted material with the intent of imitating the copyrighted product
- Internet Piracy: Downloading software from the internet from the websites that make software for free downloads

1 Computer hope. "Software piracy": <http://www.computerhope.com/jargon/s/softpira.htm>.

2 BSA. "What is Software Piracy?": http://www2.bsa.org/country.aspx?sc_lang=en-us-hk

- End-User Piracy: When an individual reproduces copies of software without authorisation by using one licensed copy to install a program on multiple computers
- Client-Server Overuse: When too many users on a network are using a central copy of a program at the same time. If more users than what is allowed by the license, are working on a program then it is 'overuse'
- Hard Disk Loading: When a business sells new computers with illegal copies of software loaded onto the hard disks³
- WareZ Sites: Software that has been stripped of its copy protection and is available on internet for download

Sensing the futility of trying to stop people from pirating software, a new software 'shareware' was launched to allow users to share copies of programs with multiple users but pay a registration fee to the program's author directly⁴.

Risks of Using Pirated Software

Consumers using pirated software runs a high risk of encountering viruses and fatal system crashes because such systems do not have built-in protection against viruses and worms. In addition, the users do not enjoy the full benefits of technical support, warranty protection, and product upgrade information⁵. According to the study titled 'The Dangerous World of Counterfeit and Pirated Software' one out of every three consumers of pirated software will face the danger of being infected by malware. Counterfeit software are most likely to slow down computers, spam Personal Computers with pop-ups, infect PCs with viruses and even require hard drives to be re-formatted⁶.

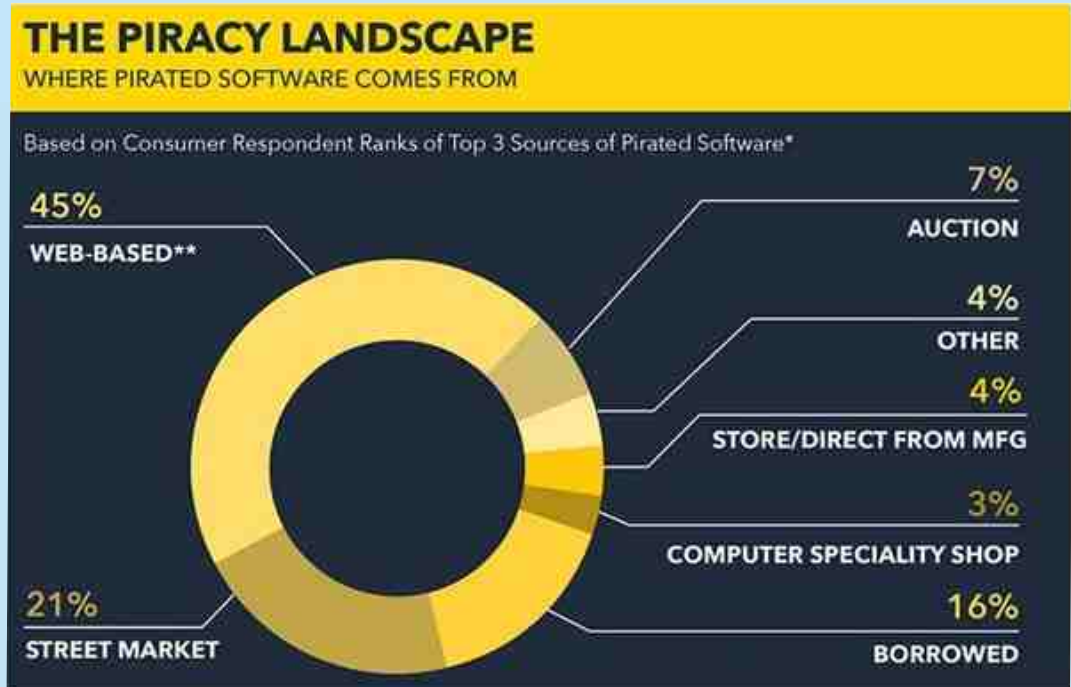
3 Symantec. "Types of Piracy": <http://www.symantec.com/about/profile/antipiracy/types.jsp>.

4 Webopedia. "Software piracy": http://www.webopedia.com/TERM/S/software_piracy.html.

5 The OLRC News. 2001. "What is software piracy?": <http://literacy.kent.edu/Oasis/Pubs/techtalk6-1.pdf>.

6 Trak.in. 2013. "Pirated software to cost \$22 bn and 1.5 bn hours in 2013": 7 March. <http://trak.in/tags/business/2013/03/07/pirated-software-cost-report>.

The top three sources of pirated software are mentioned below in a pie diagram⁷:



Source: A Study titled 'The Dangerous World of Counterfeit and Pirated Software' commissioned by Microsoft

Protection against Pirated Software

The users must buy legitimate software from authorised sellers. Program authors/developers should allow users to purchase and install online software via instant downloads. It is estimated that the world will lose USD 350 billion in 2013 as a result of data loss due to infections from counterfeit software. In India, using pirated software can get you arrested. The police can charge a person under the Copyright Act 1957 and the punishment includes rigorous imprisonment or fine. Several companies suffer losses worth millions due to software piracy but seldom report such cases to the police.

⁷ Trak.in. 2013. "Pirated software to cost \$22 bn and 1.5 bn hours in 2013" 7 March. <http://trak.in/tags/business/2013/03/07/pirated-software-cost-report>.

Interview



Karan Bajwa

Managing Director, Microsoft India

1. What are the current major industry threats / risks that Microsoft perceives when it comes to anti piracy in India?

The threats from piracy can be seen at two levels – to the economy and to the users. The economy is not only losing a significant amount of revenue that could have fuelled various developmental initiatives but piracy is also creating an un-level playing field for various players. At the user level there are significant threats of using pirated software. Pirated software puts PCs at significant risks and without security updates that are available to genuine software users, the IT environment of the user is exposed to hackers. If you are business, there could be serious consequences, both from a legal and a business continuity perspective.

2. Where do we stand in India as far as Software Piracy is concerned ? Where do we stand internationally ?

Piracy rated in India stand at around 63% today, as per an estimate by BSA. Though Piracy rates have come down over the years, we still notice Piracy to be prevalent amongst small businesses and consumers.

3. What are your views on the Indian regulatory domain and the laws around to tackle piracy and counterfeit in the country?

India has a robust set of laws to help tackle the issue of piracy. However, we do need to strengthen implementation for creating a level playing field for users. The policy makers and implementation agencies need to work closely with owners of IP to help create an environment where the users are safe and IP is protected.

4. What are the major challenges that you face when trying to promote original products over pirated products (lack of awareness, reluctance of law enforcement agencies to be proactive etc.)

There are two big reasons that are leading to piracy:

- a. The user is not educated about the perils of using pirated software and end up risking their IT. We have seen where the sellers of IT make the users aware of the risks associated with piracy, the likelihood of piracy reduces dramatically.
- b. The user or buyer of IT is not aware that what is being sold to them is pirated. This is the case of counterfeit software. This is where the enforcement agencies need to play a bigger role.



5. What are the common threats that customers choose to ignore when going for a pirated and free version over an original and paid version of your products?
 - a. Security – low security with non-availability of updates can put your systems and IT environment at significant risk.
 - b. Business risk of IT going down – If your business operations go down because of IT, your entire revenue generation engine could come to a stand-still.
 - c. Compliance threats – software is an asset like any other asset in the books of account. Therefore, there are compliance related regulations not only to use genuine IT but also around maintaining a certain level of security around IT operations
 - d. Risk of penalty – regulations for some industries also point out that if a customer of yours incurs losses due to low security in your operations, you may be held liable. The penalty in several such scenarios is uncapped.

6. What is Microsoft's strategy to fight the risks of anti piracy and counterfeit this year?

Our approach towards anti-piracy is to continuously keep educating our customers, partners and the industry about the perils associated with piracy. We have seen that as the ecosystem of users and partners become educated, instances of piracy go down.

7. What are the common safeguards that you suggest be taken up pan industry to combat risks of anti piracy and counterfeit?

Every organization should conduct a self-review/ audit to ensure that they are compliant. At times, employees in organizations download illegal software without the knowledge of management leading to piracy. A periodic review will help keep the environment compliant. We help our customers undertake a 'Software Asset Management' review to support their efforts to be compliant.

Accidents

2014	2013	2012
6	10	7
Trend <ul style="list-style-type: none"> Counterfeiting led to annual losses worth USD 7.8 billion to the national exchequer. Finance, entertainment and apparel sectors remain the most affected due to counterfeit products. India IPR regime is at par with international standards; we need to focus more on enforcement. 		

The Transport Research Wing computed that in 2011 there were 497,686 road accidents in India resulting in the death of 142,485 people³¹. India accounts for about 10 per cent of road accident fatalities worldwide and is ranked at number one in terms of number of deaths due to road accidents³². According to the World Health Organization (WHO), the death rate per 100,000 populations with regards to road traffic accidents has increased from 16.8 in 2009 to 18.9 in 2013. This estimate is much higher than the rate in high-income countries (8.7 per 100,000) and middle-income neighbouring countries like Indonesia (17.7), Pakistan (17.4), Nepal (16), Myanmar (15), Sri Lanka (13.7), Bhutan (13.2), Mauritius (12.2) and Bangladesh (11.6).

Most of the victims of road accidents in India are either cyclists or pedestrians, while a majority of them are youth falling in the age group of 20-40 years. Since those who die are often the bread-earners in their families, road accidents remain the most distressing factor in the lives of the affected families. Poor driving, condition of roads and vehicles and general disregard for traffic rules are some of the factors responsible for road accidents in India. Road accidents cause enormous losses to the Indian exchequer to the tune of USD 20 billion every year.³³ Unfortunately, road fatalities and accidents fail to draw the attention of national dailies, unlike fatalities due to terrorism and other nefarious activities. It is also believed that till 2030, road fatalities will decrease by 30 per cent in developed countries, while such fatalities are expected to increase in developing countries like India.

Industrial as well as occupational accidents showed no change in the last one year. While accidents in coal mines declined, those in the construction sector have increased. In the State of Odisha, about 88 labourers lost their lives between 2011 and 2013 due to industrial accidents. Mishaps at frequent intervals were reported at a steel plant in Odisha, which has claimed 15 lives till date.³⁴

31 Ministry of Road Transport and Highway. 2011. Road Accidents in India. New Delhi, Govt. of India. Web: <http://in.tool-alfa.com/LinkClick.aspx?fileticket=wHv699POVXs%3D&tabid=72&mid=486>

32 Vidya Krishnan, 2013. "Taking note of road deaths in India". Live Mint. <http://www.livemint.com/Opinion/D8iIQDQkx8RGRdzros9tl/Taking-note-of-road-deaths-in-India.html>.

33 Rajiv Theodore. 2013. "Road to hell - every 3.7 minutes, death swoops in". *The American Bazaar*. 21 August. <http://www.americanbazaaronline.com/2013/08/21/road-to-hell-every-3-7-minutes-death-swoops-in>.

34 PTI. 2012. "88 workers died in industrial accidents in two yrs in Odisha". *Zee News*. 11 December. http://zeenews.india.com/news/odisha/88-workers-died-in-industrial-accidents-in-two-yrs-in-odisha_816068.html.

Workplace Violence and Sexual Harassment

2014	2013	2012
8	12	12
Trend <ul style="list-style-type: none"> • The percentage of workplace violence and sexual harassment has increased in relative terms to crimes since 2012. • Healthcare, hospitality and education sectors have register a considerable rise in cases of workplace violence and sexual harassment. • Cases of sexual harassment in workplace are high in the unorganised sector. 		

Workplace violence is characterised by the threat of use or actual use of force against workers, either by strangers or by co-workers. Workplace violence is common in both, organised or unorganised sectors, however, these are rarely discussed. In the India Risk Survey 2013, workplace violence was ranked at the last position in the category of risks. Despite the relative unimportance given, over one-third (36 per cent) of organisations surveyed by the Society for Human Resource Management (SHRM) in 2012, reported incidents of workplace violence. The survey also indicated that incidents of workplace violence have recorded a marginal increase since 2010.³⁵ Physical assaults emerge as one of the leading causes of occupational-injury related deaths in healthcare setups.³⁶ Several incidents where doctors and hospital staff were violently attacked by relatives of patients for alleged negligence of their duties have been reported in Indian hospitals.

Sexual harassment at workplace is majorly a gender specific problem faced by women, though the same has also affected the male gender in recent times. In 2012, almost 17 per cent of women belonging to all major Indian cities have admitted facing it in a survey titled 'Sexual Harassment at Workplaces in India 2011-12' conducted by Oxfam India.³⁷ While sexual harassment is common in both organised and unorganised sectors, the top three categories of workers most vulnerable to the menace are women labourers, domestic help and workers in small-scale manufacturing units.³⁸ Nevertheless, stringent laws exist in India to deal with cases of sexual harassment in the workplace and the policies of India's corporate sector against sexual harassment are found to be generally in consonance with international standards. A large number of Indian companies follow a zero-tolerance policy toward sexual harassment and have sufficient safeguards to prevent such incidents. The recent sexual harassment charges against Tarun Tejpal and former Supreme Court judge A. K. Ganguly clearly indicates that the government also maintains a zero tolerance policy towards such crimes. However, even the large number of legal and procedural safeguards have failed to act as a deterrent against acts of sexual harassment.

35 SHRM. 2012. "Workplace violence" 29 February.
<http://www.shrm.org/research/surveyfindings/articles/pages/workplaceviolence.aspx>.

36 A. Chatterjee. 2013. "Workplace violence in emergency medicine" *African Journal of Emergency Medicine*. Vol. 3. Issue 4. December. <http://www.sciencedirect.com/science/article/pii/S2211419X13001535>.

37 TNN. 2012. "17% women sexually harassed at workplace" *The Times of India*. 28 November.
http://articles.timesofindia.indiatimes.com/2012-11-28/bangalore/35409989_1_sexual-harassment-women-donna-fernandes.

38 Ibid.

Women & Safety at Workplace & Beyond: Present Dilemmas & Future Recourses - An Indian Perspective

– **Raj Kular**, *Manager, Pinkerton*

The position of women has always been a subject of substantial controversy and interest across civilisations of the world. Although women have been attributed as “Shakti” or a form of energy in the Hindu religion, but in reality the male-dominated society has carefully sheathed all harassment bestowed upon women under the garb of effervescent religious and historical dogmas.

According to a poll conducted by Thomson Reuters, India is the 'fourth most dangerous country' for women in the world. The poll was based on the overall perception of danger as well as by six key categories of risks - health, sexual violence, non-sexual violence, harmful practices rooted in culture, tradition, lack of access to economic resources and human trafficking. Recently the brutal gang rape of a 23-year-old student in Delhi again sparked the debate on Indian male psychology and existing law and order in the country.

In the corporate tapestry, Sexual Harassment at the Workplace has lingered as one of the fundamental concerns of the women's movement in India since the early 1980s. The awareness in the 1990s incensed a women's rights group called “Vishaka” who took up the case suo-moto and filed a Public Interest Litigation (“PIL”) before the Supreme Court of India, thus laying down the foundation of the concept in India. Pursuant to the above-mentioned judgment, the Government of India requested the National Commission for Women (NCW) to draft the legislation on the Sexual harassment of women at the workplace. In 1998, the National Commission for Women (NCW) formulated a Code of Conduct for Work Place, putting down the Supreme Guidelines in a simple manner.

Over the years, India has fought to safeguard the interests of women through various laws under the Indian Penal Code (Rape, Kidnapping, Dowry, Torture etc.) and other gender specific legislations (Immoral Traffic (Prevention) Act, 1956, Dowry Prohibition Act, 1961, Indecent Representation of Women (Prohibition) Act, 1986 etc.). However, the recent Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is perhaps the first targeted law for women in the corporate world.

In India, although many corporate houses have elaborately laid down sexual harassment guidelines in lieu of the Vishaka Case, the same are often used as an effective tool for defense while outcasting the victim on grounds of moral turpitude. The need of the hour is thus that in order to mitigate the looming risks pertaining to women's safety, each corporation adopts a gender-neutral policy with special reference to laying down guidelines pertaining to sexual harassment and is set to mandatorily include the following aspects:

- An express commitment to eradicate and prevent sexual harassment and express prohibition of sexual harassment;
- An explanation of penalties (including termination) the employer will impose for substantiated sexual harassment conduct;
- A detailed outline of the grievance procedure employees should use;
- A clear understanding and strict rules regarding harassment of or by third parties like clients, customers etc.
- Additional resource or contact persons available for support and consultation.



“ One of the greatest threats to an egalitarian and gender-inclusive workplace, sexual harassment and workplace violence also leads to considerable economic losses and creates a vitiated atmosphere of insecurity and fear. This is a problem that needs to be urgently and sensitively addressed. ”

Urvashi Butalia, Chair, FICCI Publishing Committee and Director and Publisher, Zubaan

Industrial / Corporate Espionage

2014	2013	2012
9	8	-
<p>Trend</p> <ul style="list-style-type: none"> It is considered as one of the rapidly emerging risks for corporate India. Several companies are engaged in business espionage activities of their rivals but none of them are willing to recognize it as a risk. It can be both online and offline through social networking websites and informal interaction between employees of the same field from different offices. The detection rate of corporate espionage cases is as low as 15–20 per cent. 		

Corporate espionage can be defined as the collection of illegal and unethical activities undertaken by companies / organisations to gather, analyse and manage information on competitors with the purpose of gaining corporate edge in the market.³⁹ Corporate espionage is different from business intelligence as the latter involves a systematic and ethical method of gathering and analysing information about the competitors' activities, capabilities and business orientations in order to gain a relative advantage.⁴⁰ Trade secrets, commercial secrets, intellectual property and strategic information like a potential bid price are typically targeted during industrial espionage.

Corporate espionage can be online or offline, however with advanced technology, online espionage in the form of hacking has been steadily gaining popularity. In May 2013, a malware analysis firm Norman Shark uncovered a large and sophisticated cyber attack infrastructure that appears to have its origin in India. The discovery was made when the firm was investigating data breaches at the Norwegian telecommunication company, Telenor.⁴¹

While companies go all guns to invest in firewalls and other protection measures to prevent online leakage, information is often leaked when the employees interact with the head-hunters and their counterparts in other companies. Juneau Kastuva, President and CEO of a Canadian security firm, Northgate estimated that 85 to 90 per cent of incidents involve the assistance of an insider who has legitimate access to the information. Thus, the most common agent of industrial espionage often emerges as an insider – an employee.⁴²

Even though spying equipments like closed circuit cameras, audio recorders and global positioning system (GPS) devices are increasingly being used by companies to monitor the activities of their employees, only 15-20 per cent of corporate espionage cases are actually detected.



39 Akanksha Vasishth and Akash Kumar. 2013. "Corporate Espionage: The Insider Threat", *Business Information Review*, Vol. 30. June.

40 The National Security Unit. "Business Intelligence and Industrial Espionage": <http://www.lafer.co.il/en-us/instructionandtraining/businessintelligenceandindustrialespionage.aspx>.

41 Warwick Ashford. 2013. "Researchers uncover Indian cyber espionage network" *ComputerWeekly.com*. 21 May. <http://www.computerweekly.com/news/2240184448/Researchers-uncover-Indian-cyber-espionage-network>.

42 Ahvi Spindell. 2013. "Industrial Espionage Threats to SMEs Originate from Within" *Thomasnet News*. 17 October. <http://news.thomasnet.com/IMT/2013/10/17/industrial-espionage-threats-to-smes-originate-from-within/>



An act of terror does not only affect one region of the country or one part of the economy, but its effects percolate across sectors and functions. Terrorism threatens the security and well-being of people and jeopardises the functioning of the global economy. Sustainable progress against terrorism requires both political commitment and effective law enforcement. A combination of good governance, stringent laws, quick and firm system of justice that delivers harsh punishment will be a deterrent to the growth of terrorism.

Vivek Lall, Co-Chair, FICCI Homeland Security Committee and President & CEO, New Ventures, Reliance Industries Limited

Terrorism and Insurgency

2014	2013	2012
10	7	2
Trend <ul style="list-style-type: none"> • Terrorism ceases to be a prime risk for corporate India. • However, Terrorism and Insurgency remains among top three risks (No. 2) for the foreign professionals from outside of India. 		

In 2013, approximately 55 people lost their lives while several were injured in eight terrorist attacks, including those by Maoists, in different states of India.⁴³ In August 2013, as per the Indian government's submission before the Parliament, as many as 66 terror groups are active in the country.⁴⁴ Even though terror groups operate all across the country from South to North and in the Northeast (Manipur alone has 34 separatist groups), Jammu and Kashmir still remains the flashpoint. Of the 66 terror groups about five terrorist organisations have nationwide presence particularly in metropolitan cities and industrial states like New Delhi, Uttar Pradesh, Maharashtra, Gujarat, Karnataka, Kerala, Rajasthan and Andhra Pradesh.⁴⁵

Notwithstanding the above statistics, the impact of terrorism on India's economy proves to be short-lived. In the short term, terror incidents as and when they happen, create security-related fear in the minds of foreign investors. However, consumers are unlikely to change their consumption patterns and businesses are unlikely to change their investment plans altogether. Investors might defer their investment plans but they are unlikely to cancel them altogether.⁴⁶

Terror incidents are isolated events in India and their occurrence is seldom at regular intervals. Despite advance intelligence and upgraded security infrastructure, terror attacks are always hard to predict. For the Western world, the festive season starting from October to January in India is the most vulnerable period when terror attacks are highly likely. As most international business travellers travel to India in the first quarter of the year, several Western nations like the US, the U.K., Australia and others continue to issue travel advisories warning their citizens about the heightened security risks in India.

43 Wikipedia. "List of Terrorist Incidents in India". http://en.wikipedia.org/wiki/List_of_terrorist_incidents_in_India.

44 Anonymous. 2013. "Indian govt. - 66 terrorist groups active in India". UPI. 29 August. http://www.upi.com/Top_News/Special/2013/08/29/Indian-govt-66-terrorist-groups-active-in-India/UPI-32191377783820.

45 Ibid.

46 Anonymous. 2008. "Business World: Will persistent terrorism dent India's economy". Royal Sundaram News. 5 December. <http://www.royalsundaram.in/news/terrorism.aspx>.

Natural Hazards

2014	2013	2012
11	11	5

Trend

- Rated as one of the top six risks for the Eastern region.
- Floods, earthquakes and storms remained the most frequently occurring natural hazards in India.
- Tourism and hospitality are the worst hit sectors due to natural disasters.

Natural Hazards can be characterised as 'those elements of the physical environment, harmful to man and caused by forces extraneous to him'⁴⁷. Any natural phenomena, that does not affect human beings is not a 'natural hazard', however it becomes hazardous the moment it occurs in a populated area. A natural hazard that results in unacceptably large number of fatalities and enormous property damage is a 'natural disaster'⁴⁸. The term 'natural hazard' thus refers to all atmospheric, hydrologic, geological and wildfire phenomena, which, due to their location, severity and frequency, have the potential to affect human lives and activities adversely.⁴⁹ Potentially hazardous natural phenomena include earthquakes, volcanoes, landslides, flooding, tsunamis, hurricanes etc. Besides, desertification, erosion and sedimentation and salinisation can also be considered as natural hazards with long-term disastrous habitational consequences. Of late, extreme hot and cold weather conditions, as well as excessive rainfall that results in losses, both in men and material and causes disruption to business activities, also falls under the category of natural hazards. Among the various types of natural disasters hitting different parts of India, floods, cyclones, earthquakes and droughts cause maximum damage to life and property. Of all natural disasters, seasonal flooding in India emerges as the biggest challenge in recent times. On 15 and 16 June, 2013, heavy flooding that resulted from torrential rains and glacial leaks in the Himalayas caused financial losses of over USD 120 billion or INR 12,000 crore in the tourism sector alone in the State of Uttarakhand.⁵⁰ Besides, the increasing frequency and severity of earthquakes and storms are also a cause of concern for the Indian economy.

“Natural disasters are spatial in nature. Geographic Information Systems (GIS) help in highlighting high- risk areas, vulnerabilities and communities at risk from natural disasters. It also plays an important role in emergency response and disaster management thereby enabling administrators to effectively deal with disasters. GIS can provide businesses common operating picture & enable informed decision-making.

Rajesh Mathur,

Chair-FICCI Geospatial Technologies Committee and Vice-Chairman, NIIT-GIS Ltd

47 I. Burton, Robert W. Kates and Gilbert F. White. 1978. *The Environment As Hazard*. New York: Oxford University Press.

48 Oas.org. "What are natural hazards?": <http://www.oas.org/osde/publications/Unit/oea54e/ch05.htm>.

49 Ibid.

50 Malini Shankar. 2013. "India floods: Fears grow for farmland devastated in Uttarakhand". *The Guardian*. 5 August. <http://www.theguardian.com/global-development/2013/aug/05/india-floods-farmland-uttarakhand>

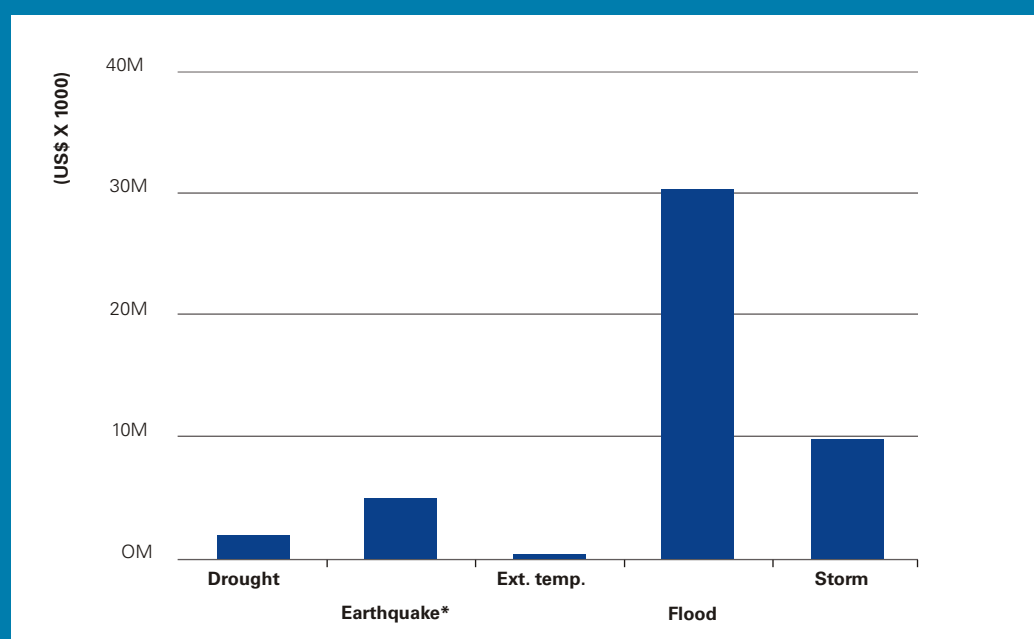
The below-mentioned figures pertain to the data related to human and economic losses from natural disasters that have occurred between 1980 and 2010 in India.

Average Disaster Per Year

Drought	0.23
Earthquake	0.52
Epidemic	1.81
Extreme temperature	1.23
Flood	5.94
Insect infestation	0.03
Mass mov. dry	0.03
Mass mov. wet	1.10
Volcanic eruption	...
Storm	2.97
Wildfire	0.06

Source: EM-DAT: The OFDA/CRED International Disaster Database, University of Catholique de Louvain, Brussels, Belgium. Data Version: v11.08

Estimated Economic Damages Reported by Disaster Type (USD × 1000)



Source: EM-DAT: The OFDA/CRED International Disaster Database, University of Catholique de Louvain, Brussels, Belgium. Data Version: v11.08

According to a joint report titled *The Geography of Poverty, Disasters and Climate Extremes in 2030*, released by the London-based think tank the Overseas Development Institute, the US Meteorological Office and Risk Management Solutions (a software company that helps in quantifying risks), India is likely to be the first among countries that will have greatest exposure to extreme weather and natural disasters by 2030. The same report also endorses the Indian government's ability and capacity to manage disaster risks.

Fire

2014	2013	2012
12	6	4
Trend <ul style="list-style-type: none"> Fire scores the lowest among risks for corporate India. Fire is a danger in crowded and congested localities, open markets and high rise residential buildings. 		

Since-independence, India has experienced several fire-related accidents which have caused huge losses to life and property. Fire accidents in India can be attributed to two causes – structural and man-made. While gas cylinder / stove blasts followed by short-circuits and fireworks claimed several lives, sloppiness of administration and lack of fire safety measures can be equally blamed for fire tragedies. In February 2013, 19 people lost their lives in a market fire in Kolkata, West Bengal. The fire was believed to have been initiated in an eatery and was found difficult to curtail when the rescue work was hampered by narrow lanes (structural) in Kolkata and unavailability of gas masks and gas-cutters with the fire-fighting officers (man-made).

Short circuits or electrical faults cause 56 per cent of the total industrial accidents. Since 2009, over-heating, ageing of materials or outdated equipments and sub-standard quality of electrical gadgets were the major contributing factors for the increase in industrial fire accidents in India.⁵¹ As per the statistics of the National Crime Records Bureau, 8 per cent of deaths in industries are of electrical origin.

Of late, the country is witnessing a vertical growth due to space crunch in urban areas. The mushrooming of high-rise buildings (15 meters or above in the Indian context) in Indian cities has given rise to a new set of problems. Many of these buildings lack adequate infrastructure needed to prevent fire. In case of fire, it also becomes difficult for fire-fighters to reach to the top floors to control the fire. The structural deficiencies of these high-rise buildings combined with human errors often results in devastating fire tragedies.

⁵¹ Anonymous. 2014. "India: Electrical Accidents Deaths Continue to Rise". Electrical Accidents Blog. 17 February. <http://electricalaccidents.wordpress.com/tag/india>.

As per guidelines issued by the Ministry of Urban Development, every establishment is guided by policies and procedures to prevent fire mishaps. Arrangements such as static water storage tank, automatic sprinklers, fixed carbon dioxide, foam, DCO water spray extinguishing system, fire alarm system, control room, fire drills and fire orders, care on material used for construction of the building, and fire prevention have to be made along with restrictions on occupancy. Owners of such structures have to obtain fire permission from the chief fire officer in the area.⁵²

Fire department services are unable to fulfil the requirements to protect the life and assets in Indian states. NDMA has estimated the deficiency of the services in the country as under: Fire Stations - 97.54%; Fire Fighting & Rescue Vehicles -80.04%; Fire Personnel - 96.28%. NDMA argued for allocation of grants worth Rs 70 billion to the states to meet these shortages.

The Finance Ministry should take active steps for implementation and effective execution of aforesaid recommendations and proposals.

The scenario however is not as dismal as the fire protection service industry is hopeful of seeing a surge in demand for fire protection systems. With rapid industrialisation and escalating government regulations, the fire safety equipment market is poised for growth. It is estimated that by 2017, India's fire safety equipment market will grow to a value of around USD 4.3 billion.⁵³ In January 2014, the Gujarat government has come up with a new Fire Safety Act, which provides for collection of fire tax from the building. In case of non-compliance, a minimum penalty of INR 25,000 can be levied under the new legislation. Besides, in case of cancellation of fire No-Objection Certificate, the owner can be prohibited from occupying the building.

“ Among all the emergencies, fire is the most common. In spite of the advanced smoke and heat detection system, fire continues to threaten life and cause extensive damage to property. Fire kills approx. 1.17 lakh people every year in India. In an office complex there is a need to minimize the risk of fire and have contingency plans in place, to avoid / lessen the impact of fire. Speed, awareness of Correct Procedures and Constant Practice are of vital importance. ”

Vishwas Koranne, Head Security Indusind Bank

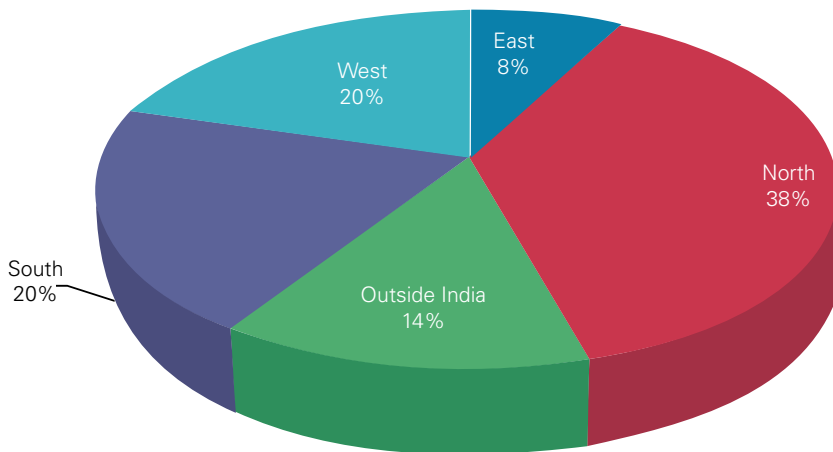
52 Anonymous.2013. "Notice to high-rises on fire safety rules" 22 June. *Deccan Chronicle*. Web: <http://archives.deccanchronicle.com/130622/news-current-affairs/article/notice-high-rises-fire-safety-rules>

53 Anonymous. "India fire security equipment market: \$4.3 billion industry by 2017". <http://www.companiesandmarkets.com/Market/Security/Market-Research/India-Fire-Safety-Equipments-Market-Forecast-and-Opportunities-2017/RPT1153366>.

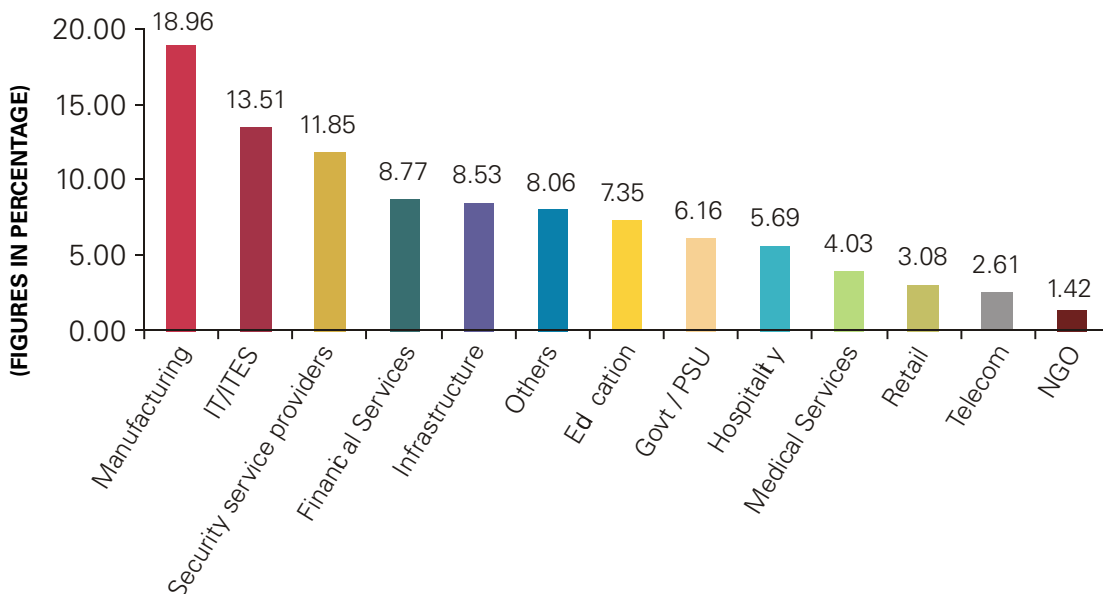
Methodology and Respondents

The aim of the *IRS 2014* is to quantify twelve prominent risks and rank them as per their criticality to the respective businesses by the IRS team. The methodology adopted included a risk survey across the industrial sectors in and outside India and regions to collect responses from lower, middle and upper management personnel. The results that were gathered through this process are represented in the form of graphs along with the explanation of each risk in the report. The highest risk is ranked as number one and the lowest risk is ranked as number twelve.

Region – wise contribution



Industry - wise contribution





About Pinkerton

Pinkerton is the industry's leading provider of risk management services and solutions for organizations throughout the world.

The Industry Leader Since 1850

Pinkerton offers national and global organizations a vast selection of reliable risk management services and solutions, including: Investigations; Protective Services; Crisis Management & Emergency Services; Employment Screening; Security Management & Consulting; Intelligence & Information Services; and Brand Protection & Intellectual Property.

Pinkerton traces its roots to 1850 when Allan Pinkerton founded The Pinkerton National Detective Agency. Throughout its rich history, Pinkerton created forerunner to the Secret Service, hired the country's first woman detective, and has remained the industry leader in developing innovative security and risk management solutions for national and international corporations.

With employees and offices around the world, Pinkerton has the resources to provide reliable and scalable protection for clients and their assets around the globe.

Our Values – Our values create the foundation of our corporate culture. They help shape our behavior and create measurable expectations for clients, employees and stakeholders. Our key values can be summarized in three words: Integrity, Vigilance and Excellence.

Integrity – The overriding principles of our firm are honesty and ethical conduct. To uphold our reputation for reliability and accuracy, Pinkerton places utmost importance on integrity. It has allowed us to sustain our commitment throughout our 160 year history.

Vigilance – Unparalleled protection requires the tenacity to continually see, hear, evaluate and analyze...over and over. The vigilance instilled in the Pinkerton culture means that our agents, analysts and consultants offer clients a level of attentiveness and alertness that – we believe – cannot be equaled by anyone.

Excellence – It's crucial to get the job done and get it done right. This is how we earn the privilege of retaining our long-term client relationships.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies. FICCI has contributed to this historical process by encouraging debate, articulating the private sector's views and influencing policy.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry.

FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs; FICCI enjoys an indirect membership of over 2,50,000 companies from various regional chambers of commerce.

FICCI provides a platform for sector specific consensus building and networking and as the first port of call for Indian industry and the international business community.

Our Vision: To be the thought leader for industry, its voice for policy change and its guardian for effective implementation.

Our Mission: To carry forward our initiatives in support of rapid, inclusive and sustainable growth that encompass health, education, livelihood, governance and skill development.

To enhance efficiency and global competitiveness of Indian industry and to expand business opportunities both in domestic and foreign markets through a range of specialised services and global linkages.



Garry Singh

Vice President - Asia
Pinkerton

Plot # 82, 5th Floor, Sector - 44
Gurgaon - 122002 (Haryana) India

Tel. : +91 124 4645400
Fax : +91 124 4645444
Email : garry.singh@pinkerton.com
Website : www.pinkertonindia.com

Raj Kular

Manager - Marketing
Pinkerton

Plot # 82, 5th Floor, Sector - 44
Gurgaon - 122002 (Haryana) India

Tel. : +91 124 4645400
Fax : +91 124 4645444
Email : raj.kular@pinkerton.com
Website : www.pinkertonindia.com



Sumeet Gupta

Director
FICCI

Federation House, Tansen Marg,
New Delhi - 110 001

Tel. : +91 11 2348 7515 (D),
+91 11 2373 8760-70
Fax : +91 11 23765333
Email : sumeet.gupta@ficci.com
Website : www.ficci.com

Rashmi Sarita

Deputy Director
FICCI

Federation House, Tansen Marg,
New Delhi - 110 001

Tel. : +91 11 2348 7212 (D),
+91 11 2373 8760-70
Fax : +91 11 23765333
Email : rashmi.sarita@ficci.com
Website : www.ficci.com

Pinkerton Worldwide Headquarter:

2 Campus Drive, Parispany, New Jersey-07054, USA. Website: www.pinkerton.com