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CORRUPTION IN PUBLIC UTILITIES

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ABSTRACT

In the 2013 Transparency International Global Corruption Barometer, individual and household respondents stated that within in the last 12 months 48% were bribed utilities services. These bribes are most often paid for the most basic of services such as the provision of electricity or clean water. Recent multi-billion dollar scandals such as the mis-selling of telecoms licenses, the fixing of government appointments and the alleged corrupt purchase of defense equipment/helicopters would indicate that corporate corruption has escalated to reach epic proportions. These days, bribery is in many cases norm rather than evil. Bribery seeps in slowly into the culture of an organization. There should be transparency at all levels in organizations to reduce corruption The tone at the top is extremely important to ensure awareness and compliance with anti-bribery and corruption issues. Serious action on reported instances of bribery and corruption and wide publicity of such actions across organizations are other effective deterrents.

Although the representatives of companies state that they do not support corruption, they have hidden mechanisms to support corrupt practices. It is important that ethical leadership is practiced as a virtue if the private sector is to show the way. Automation of all procedures or processes involving interface with the Government is the ideal it needs to focus on. Doing away with person-to-person interface (to the extent feasible), especially for approvals, services, licenses, etc., would greatly reduce the scope for corruption. Training and monitoring are essential if an organization wishes to feel properly protected. This may seem burdensome, expensive and time-consuming, but with public opinion expressing outrage at India's high corruption levels and government initiatives to encourage disclosure and expedite prosecution, companies should be aware that the corruption landscape in India is changing anINTd ensure that their anti-corruption procedures have been tightened up accordingly

Keywords-corruption,transparency,companies,organizations

I.INRODUCTION

Corruption in the country continues to be a problem tearing into the fabric of governance. There is corruption in all spheres, and people are adversely affected in their day-to-day life.

As the nation grows, the corrupt invent new methods of cheating the Government and public. More and more people, all over the world are demanding greater transparency and accountability from public representatives. India ratified the UNCAC instrument that legally binds all the state parties, to take appropriate punitive and preventive measures to address the problem of corruption.

A public utility (usually just utility) is an organization that maintains the infrastructure for a public service (often also providing a service using that infrastructure). Public utilities are subject to forms of public control and regulation ranging from local community-based groups to state-wide government monopolies.

The term utilities can also refer to the set of services provided by these organizations consumed by the public: electricity, natural gas, water, and sewage. Telephone services may occasionally be in .

Sector-wise corruption indicator

-Perceived as most corrupt

- **Infrastructure and real estate**
- **Metal and mining**
- **Aerospace and**
- **defense**
- **Power and utilities**

-Perceived as corrupt

- **Telecoms**
- **Oil and gas**
- **Technology,**
- **media and**
- **entertainment**
- **Financial**
- **services**

--Perceived as less corrupt

- **Pharmaceutical**
- **Retail and consumer products**
- **Manufacturing**

1. Poor Infrastructure

India's infrastructure sector has battled decades of dysfunction. Post-independence, the government led a state-centric approach to infrastructure development by building, owning, and managing projects. The system created a host of inefficiencies; after years of unmet demand and growing financial constraints, the government opened the sector to private investment as part of its economic liberalization in the early 1990s. Yet the success of the reforms has been mixed; private participation has fallen short of expectations, and energy shortfalls have proliferated. The endemic dysfunction has bruised India's international standing and further discouraged direly needed outside investment

2. Power:

The electricity sector is dominated by large, government-owned utilities at both national and state levels, and in earlier decades of development, jurisdictional conflicts in the sector sometimes led to inefficiencies in the use of capital"In the 1960s and 70s, for example, when technologies of power generation were favoring greater

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economies of scale, state government were limiting the size of generating units because they were trying to serve their own territories, leading to an inefficient use of capital."

Today, the national transmission grid is in dire need of investment, and distribution companies, largely state-owned, are financially insolvent. Electricity theft has become common practice, and roughly one-third of the country does not have access to electricity. Two massive electric-grid failures in mid-2012 deprived almost 650 million people of electricity for days in northern India, raising serious concerns about the government's ability to meet the country's power needs. Dwindling energy resources exacerbate the problem; despite attempts at power sector reform, including the landmark 2003 Electricity Act, experts say gaps remain between suggested measures—such as privatization of the distribution sector, tariff reform, and anti-theft measures—and their implementation.

3. **Transport:**

The National Highway Development Programme is the largest active infrastructure program, aiming to upgrade 54,000 kilometers of highways with funding from the World Bank, Asian Development Bank, and the Japan Bank for International Cooperation. The project includes some flagship achievements like the Golden Quadrilateral, which was completed in 2012 and connects the four biggest metropolitan areas of Delhi, Mumbai, Chennai, and Kolkata.

The nation's rail network, the world's fourth largest, has also suffered from deterioration. The government aims to build 25,000 kilometers of new lines by 2020, yet only 1,750 kilometers have been added from 2006 to 2011. In 2009, Indian Railways released its white paper, "Vision 2020," that outlined plans to build regional high-speed rail projects and modernize rail stations. Its marquee project, the Dedicated But such large-scale projects have encountered myriad setbacks, dominated by the problem of land acquisition. A legacy of colonial rule, the country's 1894 land acquisition law allowed the state unchecked power to appropriate private land for public projects. The powers were widely abused, resulting in fierce resistance by farmers. While a new land law passed in August 2013 aims to rectify the problem, industry participants are skeptical about its efficacy. India's rail budget, which is separate from its federal finances, has also become a platform for political opportunism rather than a financial necessity. But large-scale projects have encountered myriad setbacks, dominated by the problem of land acquisition. A legacy of colonial rule, the country's 1894 land acquisition law allowed the state unchecked power to appropriate private land for public projects. The powers were widely abused, resulting in fierce resistance by farmers. While a new land law passed in August 2013 aims to rectify the problem, industry participants are skeptical about its efficacy. India's rail budget, which is separate from its federal finances, has also become a platform for political opportunism rather than a financial necessity, further hindering progress.

4. **Ports and Airports:**

India has thirteen major ports and sixty non-major ports that handle 95 percent of the country's external trade by volume and 70 percent by value. They suffer from cumbersome customs procedures and inefficient operation, and new projects face a lengthy list of administrative and environmental clearances that can take up to five years before construction is initiated. Tariff issues have also severely hampered private investment appetite for the sector, although the Ports Regulatory Authority Bill of 2011 began to address some of these concerns.

After privatizing airports in Delhi, Mumbai, Hyderabad, and Bangalore in 2006, the government decided to introduce private ownership of six more airports in September 2013, allowing bidders to enter a private-public partnership with the state-run Airports Authority of India. But bidding has faced political opposition from labor unions and India's beleaguered airlines.

The country's infrastructure weakness could be draining its growth; project bottlenecks costs the Indian government at least 2 percent of GDP annually.

A UN report found that PPPs in India's roads and power sectors are most prone to graft. Some estimates suggest that India could suffer a loss of $200 billion, or around 10 percent of its GDP, in fiscal year 2017 if current trends continue.

II.CORRUPTION HAS NOT LEFT THE PRIVATE SECTOR UNTOUCHED

Unfortunately, the cancer of corruption has steadily spread well beyond these, and is quite pervasive in the private sector too. Worse, while there are several constitutional and institutional bodies that have an oversight over public servants, the private sector relies entirely upon internal and statutory audits. Often, such audits are not conducted with the requisite diligence or competence. Uncomfortable findings are usually swept under the carpet and, at the most, concluded with the quiet departure of a few employees.

Private sector financial impropriety in the past was largely confined to low-ranking employees in the purchase department or to a few unscrupulous promoters. Purchasing misdeeds, while deplorable, rarely caused lasting damage to their employers. When unscrupulouspromoters siphoned off funds of other shareholders and lenders, while it did make many quite wealthy, their greed led to their milking their companies to total or near total destruction.

In recent years, the lure of quick and more money has led to a very disturbing spread of the starched-collar crime. Corruption has moved to the so-called 'C' levels. With rapid changes in the composition of India's economy and in the way businesses are conceptualised and operated, it is no surprise that several new corrupt practices have found their way in the ecosystem of private enterprise.

Real estate has long been one of the biggest creators of black money. Individual large companies, as they grow rapidly, routinely lease hundredsof thousands (or more) square feet of office, warehousing and sometime retail space every year. With multiple factors determining the pricing of such space, and very rapidly changing demand and supply dynamics, real-estate buying or leasinghas become increasingly more opaque. Murmurs of large sums of money exchanging hands between property owners and brokers and those involved in the transaction from the lessor's side are accumulating.

Traditionally, most private enterprises had a relatively simple business model that started with manufacturing of some product, and then distribution and selling of the same to the end customers or consumers through its own, or largely its own, organisation. Today, outsourcing can happen almost across every function ranging from product development and design, production, distribution, logistics, information technology deployment and sometime even marketing and promotion. Some of this outsourcing, such as buying of manufactured goods, can actually be worth as much as 50% or more of the entire turnover of the sourcing organisation and, therefore, 'indiscretions' of merely a few percentage points on the purchase prices can translate into very large incentive for those engaged in this outsourcing. With increasingly larger allocations on advertising and below-the-line

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promotions, there is larger incentive to skim some off in connivance with some accommodating marketing and promotion agencies.

With more and more businesses seeking funding through relatively new (to India) channels such as private equity and various private funds, and such lenders having a somewhat higher appetite for lending compared to the traditional banking channels, there is some suspicion that a few fund managers may be tempted to privately earn their 'carry' right at the time of making their investment decision .

In all such instances, even if these matters come to the knowledge of the board or the promoters / top leadership, the most common reaction is to quietly part with the concerned individual (or individuals) since most companies wish to avoid any public airing of such activity. Hence, while there are several examples of political and public servants being booked for corruption and many even jailed For example, till a few years ago, corrupt practices would have been unimaginable in the human resources function. Unfortunately, with the new trend of hiring via specialised firms, even for the C-suites where the fee for a single successful placement could easily cross 50 lakh, and annual recruitment budgets touching several crores, it is no longer unusual to hear some whispers about cosy relationships between the HR departments and search and placement firms.

If the private sector does not bite this bullet, and continues to shy away from a determined effort to bring fraudsters to justice, it would only be corroding the very foundations of its own profitability and, sometimes, threatening its own very existence.

III.ANTI-CORRUPTION EFFORTS

- **Right to Information Act**

According to a study published by the Government of India's RTI site, the Right to Information Act (2005) and equivalent acts in the states, that require government officials to provide information requested by citizens or face punitive action, computerisation of services and various central and state government acts that established vigilance commissions have considerably reduced corruption or at least have opened up avenues to redress grievances. people seeking information under RTI have been identified and harassed, attacked or killed.

- **Right to public services legislation**

Main article: Right to Public Services legislation

Right to Public Services legislation, which has been enacted in 19 states of India, guarantee time bound delivery of services for various public services rendered by the Government to citizen and provides mechanism for punishing the errant public servant who is deficient in providing the service stipulated under the statute.Right to Service legislation are meant to reduce corruption among the government officials and to increase transparency and public accountability.

- **Anti-corruption laws in India**

Public servants in India can be penalised for corruption under the

Indian Penal Code, 1860

Prosecution section of Income Tax Act,1961

The Prevention of Corruption Act, 1988

The Benami Transactions (Prohibition) Act, 1988 to prohibit benami transactions.

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Prevention of Money Laundering Act, 2002

IV.CONCLUSION

We find that the bribe payments are lower in countries where infrastructure is better developed, suggesting that excess demand is an important determinant of corruption. The extent of competition in the telecommunications sector, measured by the number of cellular operators in the country, also appears to reduce the equilibrium level of bribe. After controlling for capacity and competition, we also find that bribes are lower in countries where the utility companies have been privatized. One potential explanation for this final result is that private owners might have a greater incentive than public managers to impose stiff penalties upon employees taking bribes, reducing bribe payments privatization will reduce bribe payments by removing capacity restrictions. However, privatization might affect bribes even after controlling for the impact of privatization on capacity. Here the penalty function imposed by management on utility employees who take bribes will play an important role. When a company is privatized, the private owners become residual claimants on the income of the company, giving them a large incentive to reduce corruption. In contrast, under public ownership, it is often not clear who the residual claimants are and who will gain from reducing corruption (e.g., whether the funds would go the Treasury, to political leaders, or to the utility itself). Further, although profits are the property of the general public in theory, individual members of the public have little incentive to monitor the employees of the utility company. Since privatization will raise the marginal benefit of monitoring employees without affecting the marginal cost, privatization will increase the optimal amount of monitoring, and thus reduce the extent of bribes.

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