

## **Corruption, Bribery and Corporate Frauds emerge as No. 1 risk for corporate India: FICCI-Pinkerton 'India Risk Survey 2014'**

**NEW DELHI, March 21, 2014.** 'Corruption, Bribery and Corporate Frauds' have emerged as the No. 1 risk affecting corporate India, primarily due to the unravelling of scams and frauds in both public and private sectors, according to the India Risk Survey 2014 (*Survey copy attached*). It ranked at No. 4 in the last 2013 survey.

The survey, the 4<sup>th</sup> in the series, was carried out by FICCI and Pinkerton to study the impact of risks 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 brainstorming sessions. Indian Risk Survey 2014 thus aims to supplement the inputs that will help business leadership in taking sound decisions and in having a secured corporate existence.

'Strikes, Closures and Unrest' has been rated as 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' is 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. Crime and Information & Cyber Insecurity are rated as the No. 4 & No. 5 risks, respectively.

The survey was released here today by **Mr. J.K. Sinha, Member, National Disaster Management Authority**. Speaking on the occasion, Mr. Sinha underlined the need for a mechanism by which industry and government along with other stakeholders could anticipate and deal with disasters particularly in parts of the country which were vulnerable to such risks. "There is an urgent need to combine the capabilities of industry and government to limit the impact of disasters on businesses so that they can go about their operations unhindered," he emphasized.

Says **Mr. G.K. Pillai, Chair, FICCI Homeland Security Committee and Former Home Secretary, Government of India**, "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."

Adds **Mr. Vivek Lall, Co-Chair, FICCI Homeland Security Committee and President & CEO, New Ventures, Reliance Industries Limited**, "An act of terror does not only affect one region of the country or one part of the economy, but it's effect percolate across sectors and functions. Terrorism threatens the security and well-being of people and jeopardizes 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.

“One of the greatest threats to an egalitarian and gender-inclusive workplace, sexual harassment and workplace violence,” says **Ms. Urvashi Butalia, Chair, FICCI Publishing Committee and Director and Publisher, Zubaan**, “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”.

The survey attributes several reasons for the top five risks that confront Indian companies.

*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 and 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 corruptions on the government and policymakers and increased media coverage, often providing judgemental verdict.

*Strikes, Closures & Unrest:* Increased intensity of incidents, often resulting in civic disturbance and violence and international and national media coverage.

*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 percentage of 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.