

Survey on Bribery and Corruption

Impact on Economy and Business Environment

KPMG

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OBJECTIVE:

Corruption is one of the greatest obstacles to economic and social development in a country. India has seen an increase in the number of scams across the public and private sector over the past few years. These scams highlight the widespread levels of bribery and corruption in the country. KPMG in India conducted this survey with leading Indian corporations in order to understand their perception of how corruption is damaging the economy as well as the corporate environment.

KEY FINDINGS:

- 68% believe that India can achieve more than the projected 9% GDP growth if corruption is controlled.
- 51% believe that India will attract less investments overall due to corruption.
- 90% of respondents stated that corruption negatively impacts the performance of stock markets due to volatility and hesitancy of investors to make long-term investments.
- 100% of respondents agreed with the statement that corruption skews the level playing field and tends to attract organizations with lesser capability to execute projects.
- 99% agreed with the statement that corruption creates inefficiency in the system and increases the cost of operations.
- 68% agreed with the statement that corruption is induced by the private sector.
- 45% stated corruption has had a direct impact of their business and reduced the company's growth which they could have otherwise achieved.
- 37% stated that a corrupt environment can impact the valuations of a company looking to be sold, thereby denying shareholders.
- 50% of respondents believe that real estate, construction, and telecom sectors are most prone to corruption.
- 84% of the respondents believe that the Indian government has not been very effective in enforcing anti-bribery and corruption laws.
 - They believe the top reasons for poor enforcement results from political preference, lax penalties, and delayed verdicts.
- 23% of respondents believe that the most effective measures to curb bribery and corruption is the Right to Information Act 2005.
- 46% believe that corruption in India will remain at the same level in the next 2 years.

CONCLUSION:

To reduce corruption, organizations could adopt the following preventative mechanisms:

- Draw up a comprehensive code of conduct and communicate zero tolerance towards corruption
- A structured whistleblowing mechanism for reporting
- Periodic risk assessment mechanism including third party audits
- A regular monitoring mechanism to report potential risks
- Training for employees and illustrating unacceptable practices

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