Outsourcing and rampant corruption

[Government](#), [Corruption](#)

1. Should Children Be Encouraged to Think for Themselves? Should children be encouraged to think for themselves? This is one of those questions that seems to invite an immediate and emphatic, almost dismissive answer. " Of course children should be encouraged to think for themselves. We're not raising robots, after all. What's wrong with you? How dare you ask such a silly question! " Well, my personal defects aside, the question is far more difficult than it first appears. For one thing, we should all learn to be particularly cautious when our response to a question is too strong.

The tone of an answer like the one just given is often an indicator of two rather unpleasant truths. First, the person is far less sure of his answer than he would like to be, but he covers this uncertainty over with emotional emphasis. He is scared that he might be wrong, and he doesn't want to entertain the possibility of investigating a weak point in his thinking, so he raises his voice in psychological self-defense. Second, and closely related, we often become emotional in resisting ideas which expose our own flaws.

We seek to deflect even our own eyes from looking at our actual practices by more loudly using our voice to proclaim our " true" values. See, no parent in America today would likely affirm the idea that children should not be encouraged to think for themselves. But a closer look at the way they treat their children would reveal the clear fact that they do not practice what they yell. Children are told to do things " because I said so," " because I'm the parent," or even, in a Christian home, " because God says. Personally, I think all these phrases serve the quite useful purpose of teaching a child about authority, as long as they're not used exclusively in situations where the parents really have no idea why the thing they're commanding is correct.

Yet, even though we all know that children should sometimes be told to think as we do, it's still not something we're supposed to say out loud. So we practice wisdom privately and proclaim submission to a foolish social standard. This disconnect explains the indignant voice. " How dare you make me contemplate my inconsistency! " But this is not the entire story.

Many parents, and particularly Christian ones, are scared by the idea of individual thinking. " God provides the answers in His Book, and who are you to even consider questioning them? " Well, true. But how does memorizing a set of answers cultivate the capacity to form conclusions in new situations which do not come prepackaged with ready solutions? It does not. And if we are supposed to use the brain God gave us for something, that something probably includes the art of thinking effectively for ourselves. For my own part, I think God wired children to remind us of this important developmental feature.

They seem almost wind-up doll like in their use of the question, " Why? " And it's plausible that one purpose of this tendency is to encourage parents to impart not merely a set of answers by rote, but also the ability to comprehend those answers and form new ones as well. But the real challenge for parents who understand both the need for honoring parental and Godly authority in good answers as well as independent thinking is obvious. What do we do when children come to self-formulated ideas which are at odds with what the Bible or we teach them?

You might wish for a simple solution for this conundrum. I do not possess it. Nor, I think, does anyone else. I've tried their wares, and the proof is not in the intellectual pudding. It is not possible to fully affirm both a process and a

result at the same time. Fair competition means you may not win. Free markets will often produce inequality. Electoral politics will often yield officials we do not prefer. And teaching a child to think for himself may well produce an adult who does not think like you. So here's my encouragement.

It's tempting to just propagandize children. Tempting because we fear the real danger they may, if taught to think for themselves and ask questions, come to conclusions we abhor. But God gave them brains, and we must honor the gift as good stewards. So the key here, as with so many things, is to trust the Maker that honoring His gift will work out alright in the end. God gave children their brains. And the real question at the end of each parenting day is whether you are more interested in shaping that child in the Image of the God who made him … or in your own image?

Then, we must acknowledge that picking the right answer to that question will require from us more than just loud lip service to the idea that children should be encouraged to think for themselves … most of the time … especially when the scariest thing to imagine is the possibility that they might actually learn the lesson. 2. Essay on Corruption in India Corruption is rampant in India. It is like a cancer that is eating away at the innards of the country. Government employees are some of the most corrupt people in India.

Of course not all of them are corrupt but a good percentage of them take bribes from those who approach them to get something done. One reason for this is that government employees in most states are not paid good salaries and wages remain stagnant in public sector companies for years. As the cost of living increases, people find it hard to make ends meet and they

resort to corruption to make extra income. If you want to get a driving license or a ration card or a marriage certificate or a birth or death certificate, most probably you may have to grease someone's palm in the concerned office.

There is corruption in every field. Political and electoral institutions are largely responsible for India being perceived as one of the most corrupt countries in the world. Corruption among the police force and judiciary has serious consequences for criminals go scot – free endangering society. Corruption in theacademicfield means that merit is ignored and mediocrity exalted. Politicians embezzle public funds and take kickbacks. Corruption reigns even within the hallowed precincts of religious institutions. It makes a mockery of medical ethics in hospitals.

The Satyam scandal blew the lid off the myth that India's IT sector is immune to such things. In short, nothing is sacrosanct when it comes to this evil practice. If left unchecked, corruption spreads rapidly. It also makes people resigned to it and saps their will to fight it. They become pessimistic and soon they also begin to ignore the law. Corruption causes inefficiencies and diverts resources. The poor are most affected by corruption. Even PDS rations meant for the poor find their way into the open market. India's rank slipped from 72 to 85 (out of 179 countries) in Transparency International's Corruption Perceptions Index.

TI is the global barometer of corruption. In India, corruption exists in the form of bribes, tax evasion and exchange controls, embezzlement, etc. Corruption has many economic consequences. It causes great loss to the exchequer, creates an unhealthy climate for investment and increases the cost of

government-subsidized services. It is not very easy to do business in India. Compared to China and other prosperous Asian nations, the average time taken to secure the clearances for a startup or to invoke bankruptcy is much greater in India.

Recently, the Right to Information Act was enacted by the UPA government. A UN development report termed it the most progressive legislation in the developed world. This Act has enabled the public to demandaccountabilityfrom government institutions regarding processes. But the power of the Act has not been fully utilized because of low awareness. One way to diminish corruption would be to increase pay scales of lower grade government employees. Also, there should be a carrot and stick policy to reward efficient people and punish corrupt ones.

Increased transparency and vigilance is the need of the hour. 3. Impact of Corruption on India's Policy The Impact of Corruption on India's Policy and Administrative Service over the last 25 years Assessing the impact of corruption on India's polity and administrative service over the last quarter century has enabled me to gauge the progress made by India's politicians in tackling one of the country's biggest problems. In analyzing the impact of corruption on India's polity over the last 25 years, I highlight corrupt practices by Indian governments during the time-frame in question.

I conjecture that the problem of corruption in India's polity is a ubiquitous one, and that corruption has carved out a niche in India's polity. Additionally, I elicit the criminalization of India's politicians by discussing the impact thatmoneyhas on the functioning of contemporary Indian democracy. I also link corruption in India's polity with increasing levels of corruption in the

country's private sector. I use this to conjecture that the usurpation of the country's economic wealth by a privileged minority is part of a corrupt businessman-politician nexus, which is detrimental to Indian society.

I gauge the impact of corruption on India's administrative service by incorporating the views of several Indian and international experts. These opinions collate to describe the ineptitude of India's bloated administrative service, providing explanations for the service's inefficiency. My research highlights the impact that corruption has brought to bear " nepotism among administrative officials, a " license-permit-quota Raj's system and professional ineptitude" on India's administrative service. Finally, I linked corruption in India's bureaucracy with the country's underachieving economy.

While much of the essay is critical of India's politicians, I juxtapose criticisms of India's politicians with corrective measures being undertaken in my conclusion. In doing so, the reader is left to decide whether or not India is any closer to dealing with the issue of corruption within its polity and administrative service, and whether India's aspirations of being an economically developed country can ever be realised. Independent India's Chequered Beginning In a charismatic speech delivered to India's Constituent Assembly on the eve of the country's independence, Jawaharlal Nehru proclaimed ? A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation long suppressed finds utterance" . On 15 August 1947, Indian citizens were, for the first time, given the opportunity to independently chart the course their lives would take. While India made

remarkable strides during the formative years of its independence towards achieving societal equity, political turmoil enveloped the country following Indira Gandhi's declaration of a state of emergency in 1975 .

In many respects, that event marked a shift in the development of India's democratic institutions. Over the last 25 years, there has been a sharp decline in the public conduct and moral values of India's politicians. Interestingly, the rise in the levels of corruption among India's decision makers has been juxtaposed by the country's rapid economic growth. Over the last 23 years, India's economy has grown at an average rate of six percent per annum, making it one of the world's fastest growing economies .

Unfortunately, ubiquitous corruption among members of India's business community has prevented the percolation of India's newfound economic wealth to the common man. Consequently, India's recent economic successes have had a minimal impact on the lives of the millions of Indians living below thepovertyline. The evident gap between the haves and have-nots in Indian society will be discussed in this essay. The usurping of India's economic wealth by a select few has been further exacerbated by the incompetence and corrupt nature of India's administrative service.

For India to have realistic aspirations of becoming an economically developed nation, it is imperative for the country to have a fully functional, transparent civil service. Despite the negative impacts of corruption on India's polity and administrative service, the country has made significant progress towards becoming a fully fledged democracy. With the world's largest electorate, the Indian Republic has successfully conducted 14 general

elections , all of which have been found to be free and fair, predicating compliance with international standards.

An independent judiciary has ensured that India's democratic constitution has been upheld and that the fundamental rights of Indian citizens have been maintained. An apolitical, independent media has brought corrupt malpractices by Indian government officials and business leaders to the public's attention, ensuring that a certain degree of accountability is maintained. More importantly, the division of power between the civilian government, judiciary and the armed forces has been consistently adhered to throughout independent India's history.

While democratic constitutions were drafted in Bangladesh, Burma and Pakistan, they were all nullified by military takeovers. The highest echelons of India's armed forces have ensured that the army's role has been limited to substantiating, and not over-shadowing, the civilian administration's functioning. Additionally, the responsiveness and vitality of India's 600 million-strong electorate cannot be underestimated; the resounding 1977 election defeat of Indira Gandhi's Congress (I) Party and the 2004 election defeat of A. B.

Vajpayee's National Democratic Alliance are two such cases in point. On both occasions, the incumbent governments" aspirations of securing a further five year mandate from the Indian electorate were dashed. Their deluded impressions were nullified by effective opposition campaigning, who, by promising to address the issues that directly affected the common Indian, scored upset victories. While there are several positive aspects of India's democracy, intrinsic problems remain. Apart from rampant corruption in

many aspects of India's public administration, stark economic disparities persist.

There are, in many respects, two Indias; one made up of 300 million educated, affluent middle- and upper-class Indians, and another with 800 million economically deprived and socially shunned people, still awaiting their share of India's economic prosperity. Almost 60 years after independence, the perpetuation of such a discernible gap between the rich and poor is indicative of the lack of progression in the lives of many ordinary Indians. Such a clear economic differentiation between Indians is a direct result of the endemic corruption that has firmly taken root in India's polity and administrative service during the last 25 years.

The Plague of Corruption Besetting India's Polity Of the 159 countries surveyed, the NGO " Transparency International" found India to be the world's 88th most corrupt country in its 2005 " Corruption Perceptions Index" . The survey, relying on work carried out by reputable research institutions, gauges the degree to which corruption is believed to influence a country's polity (i. e. its governmental administration). It is notable that lesser developed countries like Rwanda and Burkina Faso have a higher CPI ranking than India's, despite having considerably lower standards of living and healthcare .

The alarmingly high level of corruption in India's polity juxtaposes the fact that India is among the world's most rapidly emerging industrializing nations . Despite being the world's most populous democracy , corruption is a major problem among India's politicians. Over the last quarter century, this problem has been worsened by the increased criminalization of India's polity

and the inability of India's political leaders to convert good intentions into effective legislation.

This has resulted in a lack of accountability among India's legislative bodies. The ubiquitous problem of corruption among the highest echelons of India's polity was first brought to the public's attention by N. C. Vittal, India's Central Vigilance Commissioner from 1998 to 2002 . By publishing the names of 85 IAS (Indian Administrative Service) officers who were charged with corruption on his commission's website in 2000 , Vittal did more to highlight the issue of corruption in India than any public sector employee before him.

His findings only helped highlight the reality that modern-day Indian politics has undergone a paradigm shift from what it was like even 25 years ago. The rapid industrialization of India's economy in the intervening time period predicates that politicians stand to gain much more from their positions of influence than ever before, effectively heightening the stakes for election to political office. This has made today's Indian parliamentary elections exercises in monetary power, where the winning candidate is ostensibly the wealthiest one.

While the Indian Election Commission recommends that a maximum of 150, 000 Indian Rupees be spent by candidates contesting for a seat in the Lok Sabha (India's Lower House of Parliament), candidates have been known to spend upwards of 20, 000, 000 Rupees on election campaigns . This effectively decimates the level playing-field over which elections in a democracy should be contested; the absence of a cap on the amount that can be spent during election campaigns hands wealthier candidates an unfair dvantage over their opponents. Over the last 25 years, this added

dimension to the contesting of Indian elections has resulted in the increased criminalization of India's polity. This worrying trend was directly addressed by India's then-Prime Minister I. K. Gujral on the country's fiftieth Independence Day. He conceded that corruption was ? °? eating into the vitals of the country" , and he drew people's attention to ? °The nexus between the corrupt and politics" as ? °? criminals are entering politics" .

By juxtaposing the incumbent Indian cabinet with Rajiv Gandhi's at the time of his December1984election victory, the criminalization of India's polity can be elicited. Gandhi, forced into national politics by his mother, Indira, after the death of his brother Sanjay in a 1980 air-crash , donned the mantle of Prime Minister with a cabinet manned by respected statesmen, many of whom were stalwarts of his assassinated mother . Conversely, Prime Minister Manmohan Singh currently presides over a cabinet that counts six convicted criminals with charges of murder, rape, arson and embezzlement against them among its ranks.

In 1984, public accountability would have rendered such an occurrence unthinkable. However, the financial clout that these criminals wield has accommodated their inclusion in India's cabinet. This effective criminalisation of the country's highest civilian decision-making body makes a mockery of Indian democracy; instead of being served by astute decision makers, Indian citizens are being governed by its most influential citizens, many of whom have clearly used illicit means to command such influence.

The criminalisation of India's polity does not bode well for future generations of Indian citizens. While every Indian Prime Minister in the last 25 years has been cognizant of the threat posed by corruption, no one has passed

effective legislation designed to tackle it. When asked to assess the risk posed by corruption to India's polity, Indira Gandhi dismissively countered that ? °Corruption is a global phenomenon" . Her non-committal remark encapsulates the attention paid by her administration towards thwarting corrupt practices.

Her son, Rajiv, inherited a polity ridden with corruption, compounded by an ever-expanding bureaucracy that had become a " Committed civil service" during his mother's tenure. His desire to rectify India's corrupt polity was clear within a year of his tenure; in December 1985 he addressed the dangerous levels of corruption in India when he remarked ? °Corruption is not only tolerated but even regarded as the hallmark ofleadership. Flagrant contradiction between what we say and what we do has become our way of life. At every stage our private self crushes our social commitment" .

Coming to power with an overwhelming majority in parliament , passing legislation designed to address the issue of corruption would not have been difficult for him to do. Unfortunately, his efforts were diverted by other matters of state, like the economy. His sobriquet of being " Mr. Clean" proved ironic; his reputation was significantly tainted by the A. E. Bofors Scandal . Hisfailureto explain away the allegations of corruption levied against him proved to be the deciding factor in his 1989 election loss to V. P. Singh .

During the 1990's, India had six Prime Ministers . Apart from P. V. Narasimha Rao, none served their full terms, and all ledcoalitiongovernments. Predictably, the over-accommodating nature of their governments effectively disallowed them from tackling the omnipresent threat posed by corruption to

India's polity. While Rao?? Prime Minister from 1991 to 1996 ?? is best remembered for ushering in a series of economic reforms that sparked the liberalisation of India's economy, allegations of corruption enveloped his administration, eventually implicating him.

By adopting a passive stance towards tackling corruption, Indian governments have failed to rectify one of the most formidable problems confronting India's democracy. Their lackadaisical attitude has dampened the impact of India's economic growth on the country's living standards. While India's economy has grown at a rapid rate over the last ten years, the fruits of this economic prosperity have not accrued to the common man, and are instead being enjoyed by a privileged minority.

An effective measure of ascertaining the extent to which economic prosperity has dissipated through society is to consider a country's gross domestic product per capita . India's G. D. P. per capita is lower than Pakistan's, and almost half that of China's . A significant factor contributing to this anomaly is prevalent corruption among the highest levels of India's business community, which aids and abets corruption among India's politicians. Corruption in India's economy has undermined attempts made to upgrade the country's infrastructure.

Long-term economic growth can only be sustained by having a developed infrastructural system in place, capable of maintaining increased trade. Despite the allocation of substantial amounts of money for road development, India's road network continues to be underdeveloped . Moreover, India's ports, vital for the exporting and importing of goods from the country, are inefficient . The same can be said of the country's airports.

These infrastructural problems point to a lack of forethought and planning by India's bureaucrats. As will be discussed, the burgeoning size of India's bureaucracy?? ogether with the ineptitude of the country's bureaucrats?? has resulted in a laborious decision-making process. Corruption and inefficiency are significant obstacles inhibiting India's attempts to realise its full economic potential. In a 2006 review conducted by the Hong-Kong think-tank ? °Political and Economic Risk Consultancy", international businessmen surveyed felt that corruption in India's private sector was a " major concern" . Moreover, they felt that corruption was " an average-sized deterrent", dissuading them from investing in India .

This reinforces a warning issued in a 2000 Indian Supreme Court ruling, which stated that, if unchecked, corruption could cause India's " socio-economic-political system" to disintegrate . To ensure that the rapid advances being made by India's economy are sustained and that national wealth is equally distributed among all sectors of society, it is imperative for corruption in the Indian economy to be effectively dealt with. Measures should be taken to ensure that government funds set aside for public works are not misallocated.

By Rajiv Gandhi's own admission, only 15% of all government aid allotted to welfare programs reached the people the money was intended to assist . Two inferences can be drawn from this: a majority of government money is siphoned away by officials, and corruption in India's polity has been perpetuated over a considerable period of time. The corruption in India's polity can only be addressed by passing legislation that reinforces value codes among Indian politicians. Indian lawmakers can empirically draft

legislation, prescribing " Codes of Conduct" for Ministers and Members of Parliament.

By holding them accountable to national legislation, more credibility will be brought towards the Indian government's fight against corruption in the polity. Additionally, seeking assistance from countries that top Global Anti-Corruption Indices can help Indian whistle-blowers incorporate international expertise in resolving the problem they confront. India's Distended Bureaucracy: A White Elephant The inability of independent India's leaders to modify the county's pre-Independence administrative system proved to be significant in the perpetuation of corruption within India's bureaucracy.

While colonial India's administrative system was effective in carrying out the functions of the British Raj?? collecting taxes, maintaining law and order and upholding the status quo?? it was unable to modify itself into carrying out the task of serving, rather than subjugating independent India's citizenry. While India was still newly independent, officers from the Indian Civil Service (later modified to the Indian Administrative Service) capably led India's bureaucracy, efficiently carrying out the tasks assigned to them by government.

Regrettably, the last 25 years have witnessed an ebbing away in the calibre of India's administrative officers. Rampant corruption among Indian bureaucrats and the politicisation of the Civil Service has significantly contributed towards this demur, creating a situation where India's bureaucracy has become a " White Elephant", wielding enough clout for politicians to refrain from reforming it. In 1998, the Hong-Kong think-tank ?

°Political and Economic Risk Consultancy" rated India's bureaucracy as being among the most corrupt in Asia .

Several factors substantiate this assessment. The rapid rise of India's economy has led to a huge inflow of foreign investment, with an increasing number of foreign firms competing for permits to set up businesses in India. This increased competition for limited vacancies widens the scope for corrupt practises to occur. Moreover, the number of people working in the Indian Administrative Service has risen exponentially since independence from 1, 440, 000 employees to 3, 870, 000 today . Understandably, this substantial increase in the workforce has led to greater levels of red-tape.

To undercut this inefficiency, many individuals and private companies have resorted to bribery. The extortionate nature of India's bureaucrats has been compounded by the politicisation of the I. A. S. While induction into the Service was entirely meritocratic at the time of its inception, corruption now plays a significant role in the selection of candidates. Recently, serious infringements in the morality of I. A. S. officers have been brought to the public's attention with cases of corruption in the Indian states of Uttar Pradesh, Nagaland and Maharashtra . These isolated incidents reinforce a orrying trend. The politicisation of the service has, among other things, resulted in the delegation of power to individuals who may not be the most adept in handling theresponsibilitydelegated to them. On India's Independence Day, Dr. S. Radhakrishnan warned that ? °? when power outstrips ability, we will fall on evil days" . In many cases, the power being designated to Indian bureaucrats far out-strips their administrative ability. Like the corruption in India's polity, rampant corruption in India's

bureaucracy threatens to undermine the societal workings of the country in years to come.

The bloated size of India's bureaucracy is another matter needing urgent attention. With over 3, 870, 000 employees , it is only natural for nepotism to take root between officials at different rungs of seniority. India's Deputy Prime Minister at the time of independence, Sardar Vallabhbhai Patel , specifically cautioned against the politicisation of the civil service. In a letter dated 15 October, 1948, he warned that ? °The Service must be above party and we should ensure that political considerations, either in its recruitment or in its discipline and control, are reduced to the minimum, if not eliminated altogether" .

The idea of gaining promotion in the service through underhand means was perpetuated during the last years of Indira Gandhi's tenure, some 25 years ago . As is mentioned by Madhav Godhbole, Home Secretary during Mrs. Gandhi's Prime Minister-ship, ? °A new breed of civil servants who were ambitious and wanted to go places fast, quickly came into prominence. " Be committed (to the ruling political party) or get omitted" was the slogan of the rat race" . While Mrs. Gandhi strenuously denied these allegations , this shift in the mindset of Indian bureacrats marked a significant turning point in the affiliations of Indian civil servants.

Instead of serving India's citizenry, ambitious civil servants began serving the interests of the ruling party to win promotion. The rot within India's bureaucracy can be traced back to Mrs. Gandhi's tenure 25 years ago. In arriving at possible solutions for resolving the rampant corruption among India's bureaucrats, the present situation must be carefully considered. The

current salaries being awarded to India's politicians and bureaucrats are a pittance when compared with the salaries being awarded to their counterparts internationally .

By awarding salaries to government employees that are far below what is required to survive, Indian legislators are effectively compelling members of the civil service to seek alternative ways of making money. It is therefore only natural for them to forge illicit ties with opportunistic individuals. This is an internecine relationship; the bureacrats" ability to provide good governance is inhibited by their ulterior commitments to individuals, while the polity as a whole is at a loss as it is not being efficiently served by its administrative service.

Therefore, any meaningful attempt to thwart corruption in India's bureaucracy must begin by appointing a Pay Commission with the mandate of adjusting the pay scales of India's civil servants in accordance with international standards. In many East Asian countries, the policy of awarding government employees high salaries has led to an increased level of integrity among the countries" administrators . To begin fighting an effective battle against corruption in the bureaucracy, India must follow their lead. India's independence leaders were mindful of the task assigned to them at the time of independence.

During his 15 August 1947 address to India's Constituent Assembly, Jawaharlal Nehru reminded his audience that ? °Freedom and power bring responsibility" . Dr. S. Radhakrishnan, who later became India's President, talked along similar lines when he reminded Indians that ? °A free India will be judged by the way in which it will serve the interests of the common man"

. During the last 25 years, an increase in corrupt practices by India's politicians, administrative officials and business leaders has created a situation wherein India is no longer fulfilling its full potential.

Corruption in India has transcended the simple giving and receiving of bribes; it has become a part of the psyche of many people engaged in governance and business. As was mentioned in an editorial in India's " Economic Times" newspaper dated 11 March 1998, ? °This ideology (of corruption)? will have to be reshaped", ? °before radical changes can be implemented" . In contemporary India, the interests of the common man are no longer being met, as was alluded to by the aforementioned 2000 ruling of India's Supreme Court.

Inter alia, the ruling forewarned that ? °Corruption in a civilised society is a disease like cancer which, if not detected in time, is sure to render malignant the polity of the country (India), leading to disastrous consequences" . It is not impossible for India to rid itself off corruption. There have been historical precedents for Indians to draw inspiration from; eighteenth century Great Britain was ? °notoriously corrupt", but over a 50-year period metamorphosed into ? °a regime of extraordinary public probity" .

This remarkable turnaround was achieved by undertaking several reforms, including the instating of a meritocratic administrative service and the implementation of legislation guarding against corrupt practices . Though Indian politicians have many potentially effective ideas to combat corruption, they lack the political conviction necessary to covert their proposals into reality. Over the last 25 years, numerous commissions have been set up by Indian governments to assess the threat posed by corruption and to map a

way forward. By many accounts, corrective measures are already being taken.

Between 2005 and 2006, the think-tank ? °Political and Economic Risk Consultancy" reported that the level of corruption in India had substantially decreased, from a rating of 8. 63 to 6. 76 on a scale of ten . This is the most significant fall in India's corruption rating over the last decade, and if this is anything to go by, steps in the right direction are already being taken. Apart from the aforementioned proposals put forth to combat corruption in India's polity and administrative service, another tool useful in furthering India's battle against corruption is public accountability.

During the last two decades, public accountability has steadily eroded, with fewer cases of corruption against government officials being levied in courts. Furthermore, logistical problems have resulted in a massive backlogging of legal cases, causing major delays in bringing cases to court . To better ensure accountability, measures should be taken to rectify this. In the words of P. V. Srivastava, ? °an adequately paid political class which is honest and independent and which is thus capable of providing clean, efficient and pro-people governance to the country (India)" will resolve India's corruption problem.

However, it is important to bear in mind that, in spite of losing the incentive to be corrupt, some people continue to engage in dishonest practices. Public liability is the only viable solution for bringing such people to book for their actions. As Kofi Annan once commented; ? °We have the means and the capacity to deal with our problems, if only we can find the political will" . The political will of Indian politicians has been in short supply over the last 25

years; yet it is the only impediment standing between India overhauling the corruption within its polity and dministrative service. 4. Outsourcing WHAT IS OUTSOURCING? The idea of outsourcing has its roots in the 'competitive advantage' theory propagated by Adam Smith in his book 'The Wealth of Nations' which was published in 1776. Over the years, the meaning of the term 'outsourcing' has undergone a sea change. What started off as the shifting of manufacturing to countries providing cheap labour during the Industrial Revolution, has taken on a new connotation in today's scenario.

In a world where IT has become the backbone of businesses worldwide, 'outsourcing' is the process through which one company hands over part of its work to another company, making it responsible for the design and implementation of the business process under strict guidelines regarding requirements and specifications from the outsourcing company. The key to this definition is the aspect of transfer of control. This definition differentiates outsourcing from business relationships in which the buyer retains control of the process or, in other words, tells the supplier how to do the work.

It is the transfer of ownership that defines outsourcing and often makes it such a challenging, painful process. In outsourcing, the buyer does not instruct the supplier how to perform its task but, instead, focuses on communicating what results it wants to buy; it leaves the process of accomplishing those results to the supplier. There are two principal types of outsourcing: 1. Traditional outsourcing: - In " traditional" outsourcing, employees of an enterprise cease to perform the same jobs to the enterprise. Rather, tasks are identified that need to be performed, and the employees are normally hired by the service provider.

For example, an informationtechnologyoutsourcing may include a transfer of responsibility for management of data centers and networks (LAN, WAN, and telecommunications). In the field of facilities management, individuals acting as property managers might become employees of a facilities management company. 2. Greenfield outsourcing: - In " greenfield" outsourcing, the enterprise changes its business processes without any hiring of personnel by the service provider. For example, the enterprise might hire a startup company to provide a new service, such as wireless remote computing, that was not previously managed internally.

This brings us to the areas of outsourcing. Outsourcing takes place in the following three main fields: * Business Process Outsourcing: - It aims at providing optimal performance in critical enterprise processes. It provides industry-specific as well as cross-industry solutions, enabling clients to focus on core competencies and move to a higher level of performance. * Application Outsourcing: - This aims at applications development, management and maintenance services that complement strategicgoalsand produce measurable business value.

This could also encompass innovation that enables the clients to achieve high performance. * Infrastructure Outsourcing: - Our professionals collaborate with forward-thinking organizations to create low-cost, high-value solutions for the entire enterprise. Accenture Infrastructure Outsourcing (IO) enables companies to transform business-critical applications and processes and achieve high performance. WHAT IS BUSINESS PROCESS OUTSOURCING? The BPO handles the outsourced project in a four-fold manner. * It invites companies to outsource to it by advertising its manpower efficiency and its

technological advantage. The next step is achieving the desired results. The company generally has a prescribed set of SLAs (Service Level Agreements) that it has to meet. * Then it needs to assure clients that they would be able to deliver the desired results with utmost security, since a loss of data could lead to grave consequences for the parent company. * The final stage is the result stage. You deliver the results that lead to quality output at cheap rates, thus benefiting the parent company. The services offered by a BPO range from voice based processes to non-voice based processes.

The non-voice based processes are termed as back offices wherein computations and data feeding and processing takes place. WHY OUTSOURCE? Rapidly changing and increasingly complex business forces are bringing fundamental shifts in management and organization. The steady advance of technology, the complexity of business operations and the need for constant growth are conditions that require core competence in too many functional areas. This business climate demands that companies adapt to keep up with the changes. The benefits of outsourcing of course are variable, dependent upon the nature and situation of the organization.

However, the following is a list of common reasons why outsourcing is undertaken: * To improve business focus: Outsourcing lets a company focus on broader business issues while having details assumed by an outside experts. * Free management from day-to-day operations oversight * Access to world-class capabilities: By the very nature of their specialization, outsourcing providers bring extensive worldwide resources to meeting the needs of their customers * Redirection of resources: Every organization has limits on the resources available to it.

Outsourcing permits an organization to redirect its resources from non-core activities toward activities that have greater return in serving the customer. * As business practices continue to change and evolve within organizations looking to remain competitive, the nature of outsourcing is undergoing a transformation in both its use and its impact. * Lower costs due to economies of scale * Ability to concentrate on core functions * Greater flexibility and ability to define the requisite service more readily * Specific supplier benefits. For example, better security, continuity, etc. Higher quality service due to focus of the supplier * Improved internal management disciplines resulting from the exercise itself * Less dependency upon internal resources * Control of budget * Faster setup of the function or service * Lower ongoing investment required in internal infrastructure * Greater ability to control delivery dates (e. g. : via penalty clauses) * Lack of internal expertise * Increase flexibility to meet changing business conditions * Purchase of industry best practice * Improve risk management * Acquire innovative ideas * Increase commitment and energy in non-core areas Improve credibility and image by associating with superior providers * Generate cash by transferring assets to the provider * Gain market access and business opportunities through the supplier's network * Turn fixed costs into variable costs ADVENT OF THE BPO INDUSTRY IN INDIA: Since the onset ofglobalizationin India during the early 1990s, successive Indian governments have pursued programs of economic reform committed to liberalization and privatization. Till 1994, the Indian telecom sector was under direct governmental control and the state owned units enjoyed a monopoly in the market.

In 1994, the government announced a policy under which the sector was liberalized and private participation was encouraged. The New Telecom Policy of 1999 brought in further changes with the introduction of IP telephony and ended the state monopoly on international calling facilities. This brought about a drastic reduction and this heralded the golden era for the ITES/BPO industry and ushered in a slew of inbound/outbound call centers and data processing centers. Although the IT industry in India has existed since the early 1980s, it was the early and mid 1990s that saw the emergence of outsourcing.

One of the first outsourced services was medical transcription, but outsourcing of business processes like data processing, billing, and customer support began towards the end of the 1990s when MNCs established wholly owned subsidiaries, which catered to the process off-shoring requirements of their parent companies. Some of the earliest players in the Indian market were American Express, GE Capital and British Airways. The ITES or BPO industry is a young and nascent sector in India and has been in existence for a little more than five years.

Despite its recent arrival on the Indian scene, the industry has grown phenomenally and has now become a very important part of the export-oriented IT software and servicesenvironment. It initially began as an activity confined to multinational companies, but today it has developed into a broad based business platform backed by leading Indian IT software and services organizations and other third party service providers. The ITES/BPO market expanded its base with the entry of Indian IT companies and the ITES market of the present day is characterized by the existence of these IT giants who re

able to leverage their broad skill-sets and global clientele to offer a wide spectrum of services. The spectrum of services offered by Indian companies has evolved substantially from its humble beginnings. Today, Indian companies are offering a variety of outsourced services ranging from customer care, transcription, billing services and database marketing, to Web sales/marketing, accounting, tax processing, transaction document management, telesales/telemarketing, HR hiring and biotech research.

DEMAND-SUPPLY ANALYSIS OF THE INDUSTRY W. R. T. INDIA WHY INDIA? Robustcommunicationinfrastructure, a large English-speaking workforce, low labor costs, appropriate time-zone difference with the West and the brand equity built by the software services sector are compelling reasons for choosing India as the BPO destination. To top it all a friendly tax structure places the ITES/BPO industry on par with IT services companies.

Further outsourcing to India offers significant improvements in quality and productivity for overseas companies on crucial parameters such as number of correct transactions/number of total transactions; total satisfaction factor; number of transactions/hour and average speed of answer. Some of the other key benefits of outsourcing from India are enlisted below: * Access to leading practices: external service providers give companies access to an extensive, highly specialized knowledge base--which providers must improve continuously to stay in business. Clearer strategic focus: allows a manager to focus on core competencies and strategic issues rather than on routine, time-consuming activities * Better resource allocation: can help shift the traditional focus from transactional activities and reporting to the delivery of forward-looking information and value-added business analysis. * Improving

service quality and productivity. Fast turnaround times and the ability to offer 24x7 services based on the country's unique geographic location that allows for leveraging time zone differences. Improve performance--maximize the performance of an organization's enterprise client/server computing environment through the use of the latest technology and an outsourcer's performance management tools and expertise * Achieving cost effectiveness as well as cost Reductions * Significant cost savings, up to 80% in certain cases. * While it can be quite difficult to recruit the expected competence in Western countries, it is a completely different scenario in India, where there are lots of available programmers with a good academic background. Abundant, skilled, English-speaking manpower, which is being harnessed even by ITES hubs such as Singapore and Ireland. * Improving telecom and other infrastructure, which is at par with global standards. * Strong quality orientation among players and their focus on measuring and monitoring quality targets. * Proactive and positive policy environment, which encourages ITES/BPO investments and simplifies rules and procedures. DEMAND FOR BPOs – PRICE DETERMINANTS The Law of demand states that " higher the price, lower the demand" and vice-versa, other things remaining constant.

This concept is well illustrated in the BPO industry. Since the employee costs are higher in nations like the US and the UK, they are looker towards fresher pastures to cut costs. The breakup of a fictitious company's expenses is given as follows. The overheads amount to around 17. 7%, the facility maintenance is around 5. 7%, the technical and telecommunication is the major expense commanding around 47. 5% while employee costs in terms of

salaries and employee benefits brings up the year with 29. 2%. Now by outsourcing to an Indian firm they cut costs to the magnitude of almost 75% on employee costs.

The main drawback though is the fact that they tend to lose around 35 – 40% in terms of technical development and telecommunication costs. But technical development is a one-time investment and the rest is more than offset by the savings on employee costs. To make matters better the international bandwidth situation has improved dramatically over the last 3 years with the launch of India's first private undersea cable. Moreover, considerable bandwidth is also available to companies through state owned Videsh Sanchar Nigam Limited – VSNL.

It has strategic stakes and has negotiated contracts to use parts of several international cables like SEA-ME-WE II, SEA-ME-WE III (40 GBPS capacity), FLAG (10 GBPS capacity) and SAFE (40 GBPS capacity) offering connectivity to most locations around the world. Other private operators in India also have aggressive plans to build undersea cable with considerable bandwidth over the next 2-3 years. Besides, the privatization of NLD operations within India has resulted in the emergence of new players. The privatization of the telecom Industry has resulted in significant drop in telecom rates.

Continuing competition in the industry with the recent entry of newer players will see a further drop in telecom prices. As a result, the telecom costs have dropped by 85% in 3 years. This has led to decreased expenditure by the international firms that have outsourced to India. A, B and C are points upon the demand curve (demand for cheap labour available in India). Each point upon the curve reflects a direct correlation between quantity demanded (Q)

and price (P). So, at point A, the quantity demanded will be Q1 and the price will be P1, and so on.

The demand relationship curve illustrates the negative relationship between price and quantity demanded. The higher the price the less the quantity demanded (A), and the lower the price, the more quantity will be demanded (C). This graph further highlights the reason as to why companies are looking forward to outsourcing their processes. The reasons underlying law of demand can be explained as follows: * Income effect: Fall in expenditure on employee costs is equal to an increase in the profits earned by the company as it now spends less in getting the same amount of work done. Substitution effect: Further when the total manufacturing costs drop price of commodity falls, the consumer buys more of this commodity as compared to other commodities, which are more expensive. NON-PRICE DETERMINANTS OF DEMAND The major non-price determinant in this case is the backlash against outsourcing or off shoring by the general American public. This is further supported by the political scenario and changing government policies and strategies. Despite these two factors being strong detractors for trade, the price payoff seems to continue to lure the big companies to outsource.

It is business logic that will drive the growth in the sector. One final but major detractor after the public backlash is the issue of data security, which might be projected as a hindrance to the flow of free trade between the two nations. SUPPLY OF LABOUR TO BPOs – PRICE DETERMINANTS Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. The correlation between price and how much of a good or

service is supplied into the market is known as the supply relationship. Price therefore, is a reflection of supply and demand.

The law of supply demonstrates the quantities that will be sold at a certain price. Opposite to the demand relationship, the supply relationship shows an upward slope. This means that the higher the price, the higher the quantity supplied. Producers supply more at a higher price because selling a higher quantity at a higher price offers greater revenues. A, B and C are points upon the supply curve (the supply here is of skilled labour, which may be cheap by US and UK standards but is profitable by Indian standards). Each point upon the curve reflects a direct correlation between quantity supplied (Q) and price (P).

So, at point B, the quantity supplied will be Q2 and the price will be P2, and so on. A major factor affecting the supply curve is cost of production. The cost of production in India, where production would refer to tasks ranging from telemarketing to mere data entry, are low due to the availability of extremely cheap but skilled labour compared to the labour in the US. This is profitable for Indian companies as they can earn large profits despite paying god salaries to employees and so these producers undertake these processes on a large-scale.

EFFECT OF SUBSTITUTES In the case of outsourcing, substitutes are of two types. The first type comprises of service providers from the same country, while the second type makes up the other countries to which processes can be outsourced. Service providers within the country that are real successful are enlisted below. Each of them specializes in single or a range of processes. * Wipro Spectramind * Daksh eServices * Office Tiger * HCL

Technologies * ICICI OneSource * World Network * Exl Service. com * MsourcE * Hinduja TMT * Tracmail * Progeon

Three years since, Office Tiger is the fifth-largest third-party BPO Company in India with revenues over $25million. It has 1000 employees in two facilities. Two more Office Tiger centers will go live by the fourth quarter of2003. Besides office documentation, it now offers services as specialized as business research for the banking industry and analytics to its 20 clients in the US and Europe. Most industry observers believe the Indian BPO industry is headed skywards. A research director (off-shore BPO), Gartner India said, " India will soon have nearly a dozen $100-million third-party BPO companies.

In the next 18-24 months, there will be 8 to 10 third-party operators with revenues in excess of $100 million. This is not too difficult to assess considering the over 70% growth of these players". The $100-million mark is crucial for two reasons: First, it gives the companies a critical mass to fight multinationals like EDS, Computer Sciences Corporation (CSC), Accenture and Exult Inc. Second, it gives the prospective client enough confidence to trust them with larger contracts. Of course, business is still not pouring in, but Indian companies are beginning to graduate from $2-4 million contracts to tens-of-millions contracts.

Early this year, HCL Technologies (HCLT) BPO Services bagged the biggest-ever third-party BPO deal among Indian firms – a five-year contract from British Telecom (BT) worth $160 million. Add to that an existing contract of $15 million from BT's Belfast unit and HCLT BPO has assured revenue of $175 million over the next five years. That's $35 million a year from just one client. It has 23 more. Among others who are projected to pull through to the

$100-million club by March 2005 are the $30-million Daksh eServices, the $41-million Wipro Spectramind and the $35-million World Network Services (WNS).

Daksh has projected a revenue increase of 85-90% by March 2004 on the basis of ramp-up of its current projects from nine clients and Wipro Spectramind, India's largest BPO Company could be there in the next 12 months based on just organic growth. Others who could hit the $50-million mark are the $20-million MsourcE and the $29-million exl Service. com. Given their current growth rates, even their targets seem well within reach. For instance, exl, which started as a Conseco (US-based insurance company), promoted venture with 95% of the work coming from the arent, now does barely 7% of Conseco work. If all these companies hit $100 million by 2005, they would have outdone their better known cousins-the IT services companies. The other type of substitution is in terms of countries other than India. They are given below with their advantages and disadvantages mentioned alongside. ECONOMIES OF SCALE When there are economies of scale, manufacturing costs per unit decline as a firm produces more of a product. Declining unit costs enable firms to earn excess profits the larger their scale of output.

This creates a tendency toward concentration and imperfect competition: normally there are few producers, each one an oligopolist or monopolist, with profits commensurate to their scale of production and the number of competitors in the market. Economies of scale are important to the political economy of trade because trade enlarges the available market, which affects plant size. For example, trade encourages firms to expand production runs,

increase capacity utilization, rationalize production facilities, and pursue mergers and acquisitions.

Business Process Outsourcing is generally categorized as being transactional, niche, or comprehensive. Transactions are generally sub-processes such as account payables, account receivables, journal, general ledger, order processing, medical transcription, etc. Niche support moves up to support a complete business process by specialized business services providers such as accounting, human resources, etc. Comprehensive usually thoroughly covers multiple business processes by one of the large Business Services Providers (BSPs). Business Process Outsourcing since its inception has been the turf of large business clients.

Small, and many medium sized businesses do not have the staff required to develop, negotiate, and manage the contracts, service level agreements, and other overhead associated with doing business with the large Business Services Providers (BSP). As a result, business process outsourcing has been practically unavailable to small and some medium sized businesses. Major problems faced by small service vendors are: * Reckless Start-ups- a vast majority of the 310 start-ups are headed for a dead-end. Their capacity utilization is less than one of the three shifts.

Many of these companies that converted their empty basements and warehouses into BPO units or firms with $10 million-20 million VC funds that ran out of cash without creating anything more than white elephants. They have driven down prices to grab business, but have failed to deliver. They were always clueless about people, processes or technologies- the three key elements of the BPO business. * Poor Infrastructure- the industry has more to

worry about than just reckless start-ups. Primary among those is infrastructure. While telecom networks are state of the art, getting a connection still takes up to three months.

Unreliable power supply is forcing units to create their own back-ups, which they can barely afford. Roads are bad and airports are in dire need of repairs and upgrades. * High Attrition-another major problem is the high attrition and growth aspirations of the workforce. At least 60, 000 of the 171, 000 workforce change jobs every year. About 80% of them look for better leaders. Team leaders want to upgrade to supervisors, quality professionals or operations heads. The HR problem threatens to soon become grave. Good agents are becoming hard to find and with tardy infrastructure, big moves to the much talked about smaller towns will take longer.

This means costs will rise making it difficult for small VC-funded companies to survive. The big service vendors thus highlighting the economies of scale face neither of these problems. But then as the size of the company keeps growing the diseconomies of scale strike in a big way in the form of increase in demand for employees. The BPO sector is facing a roadblock of sorts, a human one. BPO companies are struggling to hire new employees in sufficient numbers in the metro cities. Consequently they are trawling small towns looking for ''employable'' graduates.

For cities like Mumbai, Delhi, Hyderabad and Bangalore demand is already outstripping supply of people. The demand for fresh graduates from BPO companies in the National Capital Region (NCR) region is around 20, 000 to 25, 000. The colleges and the universities within the NCR are unable to supply ''employable'' graduates to meet this demand. This is because the

total number of graduates from all colleges, diploma institute and universities is not necessarily relevant. This has led to a problem wherein despite wanting to expand and accept new processes the companies cannot do so for wan of manpower.

This leads to recruitment of semiskilled labour and a subsequent drop in quality. DEMAND SUPPLY EQUILIBRIUM The concepts of supply and demand bring us to an important effect that they have on price. When supply and demand are equal (i. e. when the supply function and demand function intersect) the economy is said to be in equilibrium. At this point, the allocation of goods (in this case labour) is at its most efficient because the amount of goods being supplied is exactly the same as the amount of goods being demanded.

Thus, everyone (individuals, firms, or countries) is satisfied with the current economic condition. At the given price, suppliers are selling all the goods that they have produced and consumers are getting all the goods that they are demanding. With reference to the BPO industry this could be explained as follows. The demand here would be of skilled labour from international companies wishing to outsource to the service vendors in India. The supply would be of facilities and labour to complete the assigned process catering to the SLAs.

The equilibrium price would be when the service vendors are sure of making reasonable amount of profits and the international company is assured of having excellent quality work done at lowered rates. Equilibrium occurs at the intersection of the demand and supply curve, which indicates no allocative inefficiency. At this point, the price of the goods will be P* and the

quantity will be Q*. These figures are referred to as equilibrium price and quantity. In the real market place equilibrium can only ever be reached in theory, so the prices of goods and services are constantly changing in relation to fluctuations in demand and supply.