



## A Comparative Study of the Whistle Blower Mechanism in Public and Private Sector Enterprises in Power and Chemical & Fertilizer Industries of India

Kalpana Nebhinani<sup>a\*</sup>, B.D. Sharma<sup>b</sup>

<sup>a</sup>University of Kota, Kota (Rajasthan), India  
Email Id: nebhinanikalpana@yahoo.co.in

<sup>b</sup>Govt. College Sangod, (Rajasthan), India  
Email Id: bds4444@gmail.com

### Abstract

The whistle blower mechanism has been made compulsory in new company act 2013. Whistle blower is an employee who openly and freely alleges or informs to government agencies and audit committees about wrong doing of his own company in the hope of preventing it. Now Indian companies are required to formulate an internal policy on access to Audit committees. The present study examined the effectiveness of whistle blower mechanism in Indian public and private sector enterprises from chemical & fertilizer industry and power industry. This study focuses on practices of Indian companies in reference to the protection to whistle blowers. The sample was collected from 400 employees from above industries. The main findings revealed that there is no significant difference between effectiveness of whistle blower policy in public and private sector enterprises. It was also found that many employees of these companies are not known about this policy. So the main recommendation for effective institutionalization of this policy were ; there is a need to develop intranet network platform by every company, as well as appropriate communicating of this mechanism is required to make all employees more aware about whistle blower mechanism. In addition to this confidentiality is required to protect whistle blowers in both sectors of Indian companies.

**Keywords:** Whistle blower, Corporate governance, Public sector, Private sector, Whistle blower policy, Stakeholders, Audit Committee, Misconduct.

\*Corresponding Author

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## **1. INTRODUCTION**

Presently as per clause 49, whistle blower mechanism has been made mandatory for every listed company. ([www.legalserviceindia.com](http://www.legalserviceindia.com)). The listed companies are required to establish a mechanism for employees to report to the management, their concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. Several large Indian organizations have already put into action the same. Further, the guiding principles of Corporate Governance enlisted by MCA stressed the need to have well laid whistle blower mechanism. At the earlier stage this requirement was non-mandatory. The need for an effective legislation is indispensable in India with the growing number of scams related to corrupt practices in corporate India. The identity of whistle blower and any other employee investigating the matter should be protected. Efforts should be made by companies to protect whistle blowers from inequitable employment practices. [ET, 11 Dec., 2014]

This paper is aimed to focus on the practice of providing safeguard to whistle blowers from unfair employment practices. To make study more meaningful, researcher made a comparative study of public and private sector units from power and chemical & fertilizer industry. Employees were chosen as respondents because they are directly associated with this mechanism.

## **2. IMPORTANCE OF THE STUDY**

As the concept of whistle blower mechanism has been made mandatory now, this policy has become more important in Indian corporate houses. There are only few research studies available on this policy. As well as, a gap was noticed, after reviewing these studies by various researchers. So, this research is important to highlight the status quo of safeguards measures to whistle blowers in public and private sector companies in Indian corporate sector.

## **3. OBJECTIVES OF THE STUDY**

- The main objective of the study is to identify the status quo of whistle blowers, whether they are provided safeguards or not, in public and private sector enterprises from power and chemical and fertilizers industry of India.
- To identify the gap between laws and practices in reference to the whistle blower mechanism.
- To suggest some measures to bridge the identified gap, for effective implementation of whistle blower policy.

## **4. LITERATURE REVIEW**

Review of existing literature is important to indicate about the need of future research. To properly define the problem it is imperative to review existing literature. In this way, some reviews are highlighted here:

**Barnett (1992)** conducted a study to find out individual and group variables that affect individuals decision to blow the whistle on perceived wrongdoing. From the results of this study they found that executives of larger organizations perceived a higher level of employee voiced concerns.

**Mithila Mehta (2013)** defined the term whistle blowing as the act of exposing misconduct and within an organization. Furthermore, she referred this mechanism as disobedience of a law or regulation.

**Nimisha Bhargava and Mani K.Madala (2015)** intended to find out recommendations for India to encourage whistle blowing. The study recommended encouraging individual to communicate ethical concerns as well as ethical environment should be provided within organization to promote whistle blower policy. Furthermore, they suggested providing safeguard to whistle blowers from unethical employment practices.

#### 5. RESEARCH HYPOTHESIS

The hypothesis of the study relating to the whistle blower policy in public and private sector enterprises was as follows:

**H<sub>0</sub> (Null Hypothesis):** There is no significant difference between practice of providing safeguard to whistle blowers in public and private sector enterprises in India.

**H<sub>a</sub> (Alternative Hypothesis) :** There is a significant difference between practice of providing safeguard to whistle blowers in public and private sector enterprises in India.

*Here safeguard to whistle blowers is taken in reference of providing fortification to whistle blowing employees, from unfair employment practices.*

#### 6. SOURCES OF DATA COLLECTION

For collection of primary data, researcher conducted survey in four companies i.e. TATA POWER Ltd., National Thermal Power Corporation Ltd., Chambal Fertilizers and Chemicals Ltd. and National Fertilizers Ltd. To collect information from sample group questionnaire was framed and mailed to respondents of these covered undertakings.

Secondary data have been collected from annual reports of the selected units under study. Here, quantitative research approach has been used. To explore the performance of surveyed companies, study is based on exploratory research.

#### 7. SAMPLE SIZE

**Random convenient sampling method** has been used for the study. Tabular representation of sample size has been presented as follows:

**Table (1): Representation of Sample Design**

Sector	Industry	Company	Sample size of Employees
Public	Power	NTPC Ltd.	100
	Chemical and Fertilizer	NFL	100
Private	Power	TATA Power	100
	Chemical and Fertilizer	CFCL	100
<b>Total</b>			<b>400</b>

The rationale behind selection of equal sample size from all covered units was no major variation was found between total actual strength of employees in selected companies, so researcher decided to take equal sample size from all the units i.e. 100. Samples have been chosen at random basis from entire population on the basis of probabilistic samples.

#### 8. TECHNIQUES USED TO ANALYSE THE DATA

In this study the **Chi-squared test** (Chi-square) has been used to test the hypothesis at 95% confidence level and 5% margin of error. Researcher applied  $\chi^2$  test to decide whether the discrepancy between theory and experiment is significant or not i.e. to test whether the

difference between the theoretical and observed values can be attributed to chance or not for comparing proportion of two population having same sample size.

#### 9. PRESENTATION AND ANALYSIS OF DATA

**Table (2): Protection to Whistle Blowers in Public and Private Sector Enterprises (values shown in %)**

Sector	Providing Protection to Whistle Blowers		Total
	Yes	No	
Public	162 (81)	38 (19)	200
Private	154 (77)	46 (23)	200
<b>Total</b>	<b>316 (79)</b>	<b>84 (21)</b>	<b>400</b>

It has been originated that in public sector (including NTPC Ltd. and NFL) **81 percent** respondents revealed that their company is providing protection to whistle blowers. However, remaining 19 percent were not agreed. The logic of finding behind their disagreement is due to improper communication of whistle blower policy. Whereas, in private sector enterprises (including TATA POWER Ltd. and CFCL), **77 percent** respondents have agreed that their company is providing protection to whistle blowers, rest 23 percent respondents revealed that their company has followed only **tick the box approach** in this look upon and effective institutionalization of this policy is deficient.

#### 10. HYPOTHESIS TESTING

Chi Square test has been used to test the relationship level between providing safeguard to whistle blowers in public and private sector. Data shown in Table No. 2 has been analyzed. Obtained results are recapitulated as follows:

Null Hypothesis Ho: There is no significant relationship between practice of providing safeguard to whistle blowers in public and private sector enterprises in India.

$$\chi^2_{cal} = .96$$

$\chi^2_{tab}$  for 1 degree of freedom at 5% level of significance = 3.841

**Since  $\chi^2_{cal} < \chi^2_{tab}$  therefore null hypothesis is accepted. Null hypothesis is true.**

**Hence both public and private sectors are providing protection to whistle blowers. Therefore there is no significant difference between practices of providing protection to whistle blowers from unfair employment practices.**

#### 11. FINDINGS

Foregoing analysis represents that public and private sector companies have taken care to assure complete confidentiality and protection to the whistleblowers. This is due to making this requirement mandatory for all listed companies. Due to lack of effective institutionalization, which result in ineffective utilization of the whistle blower mechanism. Making this mechanism mandatory is not ample itself because still employees are feeling fear of retaliation, job termination or suspension. These are some aspects which dissuade employees from blowing whistle. Companies have provided an option to employees to be anonymous. Employees doesn't know "**how to complain this**", is the basic problem with them.

#### 12. RECOMMENDATIONS

For making this mechanism effectual, proper awareness is required among employees of organizations. The findings of above study suggest the following recommendations:

1. The companies should not reveal identity of whistle blowers, to encourage and maintain anonymity of whistle blower.
2. There is a need to outsource whistle blower mechanism to an independent party. This stride will boost up confidence level of whistle blower.
3. Proper training programme for employees is need of the hour to raise awareness level among employees.
4. Proper proclamation of policy is imperative.
5. There should be a **proper response plan** and timely as well as effective action should be taken for investigating the complaint.
6. Multiple channels of reporting complain should be introduced within company. These channels may be intranet, email, toll free numbers, post office box address, telephone hotlines etc.
7. There is a need to promote "**listening organizational culture**" to treat every complaint as important.

Research on whistle blower mechanism in India is on **primitive stage**. There are some other important areas that provide scope for further research. Such as, other industries may be covered, as present study swathe only power and chemical and fertilizers industry. As well as awareness level of employees in companies with reference to this policy may be discovered.

### **13. LIMITATIONS OF THE STUDY**

The study is concerned only with employees of public and private sector companies from power and chemical & fertilizer industry of India. Moreover, as collection of primary data is thorny task and it is feasible that many respondents may have not presented their views independently due to fear of retaliation.

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