

**WHISTLE BLOWING MECHANISM IN PUBLIC SECTOR ENTERPRISES- A  
STUDY OF KARNATAKA STATE PUBLIC ENTERPRISES**

**SOWMYA. S\***  
**DR.H.RAJASHEKAR\*\***

\*Research Scholar-JRF-UGC-DoS in Commerce, University of Mysore, Mysore, India  
\*\*Professor, DoS in Commerce, University of Mysore, Mysore, India

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**ABSTRACT**

Whistle blowing mechanism is recognized as a tool to good corporate governance. This article studies the existing whistle blowing mechanism and practice in Karnataka State Public Enterprises. The findings revealed most employees of Karnataka State Public Enterprises report wrong doing of their superior using internal channel, mainly following the chain of command system and mostly by using anonymous letters as confidential reporting hotline.

**KEYWORDS:** Whistle Blowing Mechanism (WBM), Karnataka State Public Enterprises (KSPE), Informal Channel, Anonymous Letters, Chain Of Command

**INTRODUCTION**

US Academicians Miceli and Near (1984) defines Whistle blowing as “the disclosure by organizational members (former or current) of illegal, immoral, or illegitimate practices under the control of their employees, to persons or organizations that may be able to effect action”. Employees are the major source of information in detecting the fraud at work place to the extent of 89%, only 3% from shareholders and owner-Rajiv Bhuva. Effective WBM will favor those employees for reporting wrongdoing without causing harm to themselves and organization. The study on WBM includes mainly reporting channel and reported authority. The reporting channel includes confidential reporting hotline. There are many confidential employee reporting hotlines used by the employees for blowing the whistle, which includes anonymous letters, fax, internet, e-mail, mobile, landline phones. Among these, anonymous letters is the conventional, old and traditional mode of channel used by employees for blowing the whistle and remaining are the modern tools and techniques that are used for blowing the whistle. Whistle blowing can take place externally or internally. Employees reporting wrongdoing to the external authority like media press, and police is external whistle blowing and reporting wrongdoing to internal authority within the organization like trade union, chief vigilance officer or any superior of wrongdoer is internal whistle blowing

(Miceli and Near 1992). Whistle blowing mechanism is recognized as a tool to good corporate governance.

### **An Overview of Vigilance Commission in Public Sector Enterprises.**

The public sector enterprises are mainly classified into Central PSE's and State PSE's. The Central Public Enterprises are managed and controlled by Central Government, whereas State Level Public Enterprises are managed and controlled by concerned State Government. The vigilance matters of Central PSE's are investigated by Central Vigilance Commission. The vigilance matters of State Level PSE's are not investigated by central Vigilance Commission, since central vigilance commission does not include the State issues. The Karnataka State Vigilance Commission constituted under Karnataka State Vigilance Commission Rules, 1980 has been abolished. Now, the work of the Karnataka State Vigilance Commission has been transferred to Lokayuktha. The Karnataka Lokayuktha functions as the institution for vigilance matters of Karnataka State Public Enterprises.

### **Need for study:**

The existing of WBM is said to be formal when organization supports whistle blowing by providing awareness and training to employees in using WBM. The existence of WBM can be known through organization Code of Conduct/ Code of Ethics. There is also informal WBM existing in the organization, opted by the employees when organization does not support. In latter case there are chances of risks and problems associated with employees for blowing the whistle. Hence to avoid such risks and problems faced by employees there is a need for formal WBM. Therefore this study helps to know the existence of WBM in KSPE for effective Corporate governance system. In the absence of formal whistle blowing mechanism in Karnataka State Public Enterprises there is a need to study the whistle blowing practices.

### **Research Questions:**

1. Does Whistle Blowing Mechanism exist in KSPE? If WBM exists, then what is the nature of WBM?
2. What is the mechanism used by employees for reporting wrongdoing at their work place in Karnataka State Public Enterprises?

**Objectives:** To study the existing whistle blowing mechanism in Karnataka Public Sector Enterprises. In order to achieve the broad objective of the study, the article aims in knowing the following factors.

1. To know the reporting channel preferred and used by the employees while blowing the whistle in Karnataka State Public Enterprises.
2. To know the reported authority preferred to report by the employees while blowing the whistle in Karnataka State Public Enterprises.
3. To know the confidential reporting hotline preferred and used by the employees while blowing the whistle in Karnataka State Public Enterprises.

**Hypotheses:**

1. “Employees in KSPE mostly prefer to use internal channel than external channel for blowing the whistle”.
2. “Employees in KSPE mostly prefer to report the wrongdoing of their superior to immediate superior of wrongdoer”.
3. “Employees in KSPE mostly prefer to use Anonymous letters as a confidential reporting hotline”.

**Literature review:**

**Mary B Curtis CPA, CISA (2006)** conducted the survey among 90 respondents who were the members of Dallas Chapter of internal auditors, among them 48 were members of research team. The survey analyzed the perceptions of two different groups, users and responders of whistle blowing mechanism. The survey studied the need for incorporating whistle blowing in code of ethics, employee awareness about confidential reporting hotline, technology being used by the respondents for blowing the whistle, reporting channel, reported authority, and follow-up of reports. The findings said most of the respondents (71%) were certain about company’s code requires reporting on fraud by their employers, 64% of the respondents were certain about their organization having confidential reporting hotline, whereas 25% were not certain and 11% were unsure. 78% of the respondents used telephone, 34% used internet, and 9% used faxed or mailed letters for reporting wrongdoing. 60% of them reported to legal, compliance or ombudsman, 14% to human relations, 12% to audit committee board and 10% to internal audit.

**Kaplan, Pany, Samuels and Zhang, 2009**, the authors in their study analyzed the anonymous and non anonymous reporting channels among male and female respondents. The findings said female participants reporting intention for an anonymous channel were higher than the male participants.

**Dworkin and Baucus, (1998)**, the authors studied the internal and external channels of whistle blowing and influence of demographic factors such as gender, tenure, level of education, amount of evidence collected, seriousness of harm, effectiveness of whistle blowing and retaliation in choosing or deciding the channel of whistle blowing. The findings said external whistle blowers had less tenure with the organization, greater evidence of wrongdoing. The author observed external whistle blowers also experienced more extensive retaliation than internal whistle blowers; the study also found the patterns of retaliation by management against the whistle blowers varied depending on whether the whistle blower reports internally or externally.

**King, 1997**, the author studied whether severity of wrongdoing and relational closeness factor is associated with the channel of whistle blowing (internal and external). The findings said regardless of the closeness factor and severity of the wrongdoing, respondents would follow the proper chain of command in reporting a wrongdoing.

**Michael.T Dehg, Marcia P Miceli, Janet.P.Near, James R Van Scotter (2008)**, in their study analyses the reporting channels and degree of retaliation faced by employees (between male and female category) in choosing the channel to blow the whistle. The findings said the degree of retaliation was not positively associated with whistle blower's subsequent use of external channels to report wrongdoing.

**AJ Brown, Draft Report (2007)**, the empirical study was undertaken to know the various issues relating to whistle blowing. The study also intended in knowing how officials report wrongdoing using different reporting paths and when do whistle blowers choose those paths. The study wanted to know whether choosing the path (internal or external) for reporting wrongdoing had any association with trust in management by the employees in Australian Public Sector. The findings of the report revealed 97% of the public interest whistleblowers reported internally within the organization to the agencies at initial stage of reporting. Only 3% of whistleblowers reported to an external agency or the media at first stage of reporting. The report also said internal whistle blowing reflected strong trust in management. It also increases the obligation on agencies to manage whistle blowing well, and protect whistleblowers.

**Research Methodology:**

**Data Collection:** The primary data was collected through personal interview and schedules (unstructured questionnaire). Before giving the questionnaire to the respondents, a brief introduction was given about the concept of whistle blowing.

**Population:** Total Employees presently working in 80 Karnataka State Public Enterprises.

**Sample Frame:** Total Employees presently working in Selected 5 Karnataka State Public Enterprises.

Selected Karnataka State Public Enterprises.

1. Karnataka Silk Industries Corporation Limited.
2. Karnataka Power Corporation Ltd.
3. Kpc Bidadi Corporation Ltd.
4. Karnataka Power Transmission Corporation Ltd.
5. Chamundeshwari Power Supply Corporation Ltd.

**Sample Size:** 100 employees

**Sample technique:** Simple Random Sampling.

**Data analysis Tools:** Non-parametric Test (Chi-Square), percentage analysis, graphs

**Data analysis and interpretation**

**Hypotheses Testing:**

H1: “Employees in KSPE mostly prefer to use internal channel than external channel for blowing the whistle”.

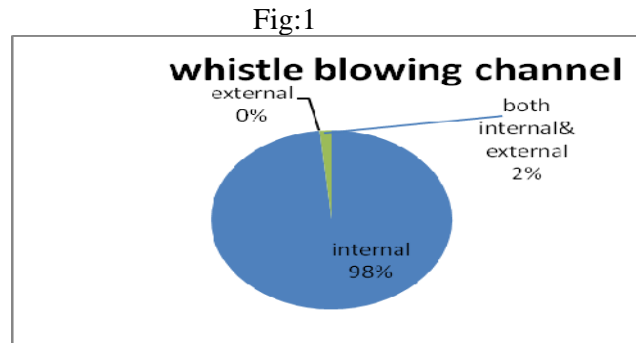
TABLE: 1

whistle blowing channel				Chi-Square	61.06154
	Observed N	Expected N	Residual	df	1
Internal	64	32.5	31.5	Asymp. Sig.	0.000
both internal and external	1	32.5	-31.5		
Total	65				

Source: survey data

The calculated chi-square value is greater than the table value at 1 degree of freedom at 95% confidence level. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. Employees in KSPE mostly prefer to use internal channel than external channel for blowing the whistle is accepted. 98.4% respondents blow the whistle internally, whereas only

1.6% employees reported using both channels internally and externally. Those who reported externally are those who tried with internal agent to solve the problem at the first attempt.



H2: “Employees in KSPE mostly prefer to report the wrongdoing of their superior to immediate superior of wrongdoer”.

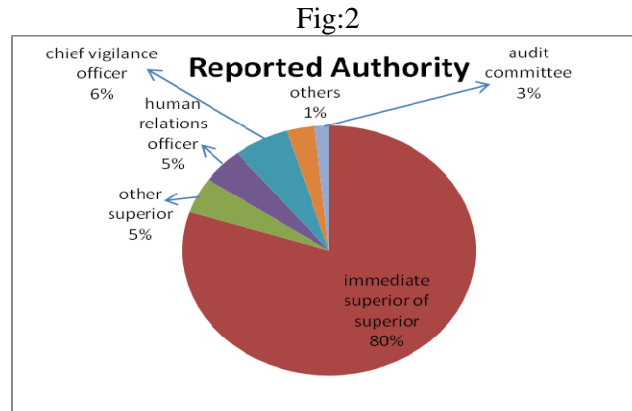
TABLE: 2

Reported Authority			
	Observed N	Expected N	Residual
immediate superior of superior	52	10.8	41.2
other superior	3	10.8	-7.8
human relations officer	3	10.8	-7.8
chief vigilance officer	4	10.8	-6.8
audit committee	2	10.8	-8.8
others	1	10.8	-9.8
Total	65		

Chi-Square	188.2
df	5
Asymp. Sig.	0.000

Source: Survey Data

The calculated chi-square value is greater than the table value at 5 degrees of freedom at 95% confidence level. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. Employees in KSPE mostly prefer to report the wrongdoing of their superior to immediate superior of their superior is accepted. 80% of the respondents reported their superior’s allegation to immediate superior of their superior, 4.6% reported to other superior, 4.6% reported to human relation officer, 6% reported to chief vigilance officer, 3% to audit committee and 1.5% to others (specifying legal/compliance officer).



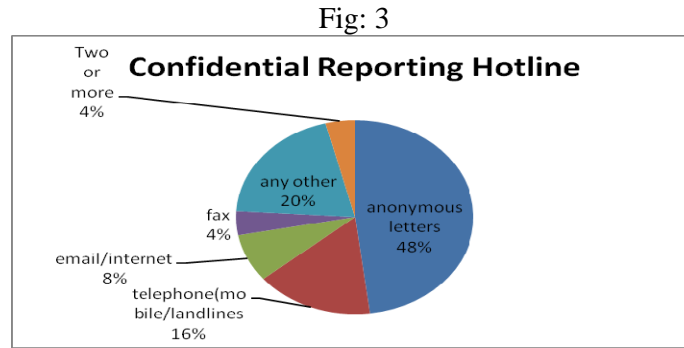
H3: “Employees in KSPE mostly prefer to use Anonymous letters as a confidential reporting hotline”.

TABLE: 3

Reporting Hotline				Chi-Square	20.84
	Observed N	Expected N	Residual	df	5
anonymous letters	12	4.2	7.8	Asymp. Sig.	0.000
telephone(mobile/landlines)	4	4.2	-.2		
email/internet	2	4.2	-2.2		
fax	1	4.2	-3.2		
any other	5	4.2	.8		
Two or more of above	1	4.2	-3.2		
Total	25				

Source: Survey Data

The calculated chi-square value is greater than the table value at 5 degrees of freedom at 95% confidence level. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. Employees in KSPE mostly prefer to use Anonymous letters as a confidential reporting hotline is accepted. The response rate for the hotline used by the respondents was low, where only 38% specified the reporting hotline. Out of those who replied for confidential reporting hotline used by them, 48% reported through anonymous letters, 16% reported through telephone (mostly mobiles through messages), 8% through email/internet, 4% reported through fax, 4% reported using multiple hotlines and 20% used other options like face to face talk.



### Findings:

1. Employees in KSPE prefer mostly anonymous letters as confidential reporting hotline.
2. Employees in KSPE prefer mostly internal channel than external channel for blowing the whistle.
3. Employees in KSPE prefer mostly to report the wrongdoing of their superior to immediate superior of their superior.
4. There is no well defined and formal whistle blowing mechanism in Karnataka State Public Enterprises.

### Conclusion

The perceived and likelihood level of whistle blowing in Karnataka State Public Enterprises is 65%. The formal whistle blowing mechanism does not exist in Karnataka State Public Enterprises. The formal whistle blowing mechanism exists when the organization code of conduct provides to blow the whistle, specifying the confidential reporting hotline and authority for receiving and investigating the complaints. The employees are using informal channels to report wrongdoing of their superior. The existence of formal whistle blowing mechanism is the indication of organization support in encouraging whistle blowing. The organization support is very important for successful whistle blowing. There is no formal whistle blowing mechanism in Karnataka State Public Sector Enterprise, which indicates there is no organization support and management active participation in supporting whistle blowing culture. Whistle blowing is happening using informal channels by the employees in Karnataka State Public Sector Enterprises. The mostly used reporting hotline by the employees for blowing the whistle is anonymous letters. The most employees report their superior's allegations internally to immediate superior of their bosses, which indicate the chain of command and hierarchy is considered while blowing the whistle.



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