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Indian Administrative Service and Crony Capitalism

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Introduction

In 1947, independent India embarked upon the long and arduous journey of planned socio-economic development and nation-building for establishing a welfare state and an egalitarian social order with social, economic, and political justice, equality, liberty, and fraternity for every citizen. The developmental experience of India during the last half a century has been a mixture of successes and failures. While India is now considered to be one of the fastest developing and rapidly growing economies of the world, it is still home to the largest number of poor worldwide. With the \$2-per-day poverty line as a point of reference, in 2010 some 68.7% of the Indian population could be considered poor (Bertelsmann Stiftung, BTI, 2014). With a Human Development Index score of 0.586 in 2014, India ranks 135 of 187 countries worldwide in human development (UNDP, 2014).

Various international agencies suggest that corruption is ubiquitous in India and corruption and cronyism remain one of the most important challenges that India faces at present (Transparency International, 2014). Corruption in India occurs in two basic forms: administrative and policy (Subramanian, 2015). Administrative corruption occurs at the point of public service delivery through payment of bribes to access or expedite these services. Policy corruption occurs when decisions to allocate public resources are distorted by money, power, access, connections, or some combination of the foregoing. Administrative corruption fits the basic definition of corruption. Policy corruption may be more damaging, systematic, and hard to contain than administrative corruption and fits the notion of crony capitalism more appropriately (Subramanian, 2015). Backroom deals between members of the governing class and their

hand-picked cronies influence the legislative, executive, and regulatory actions of governments and are not only morally hazardous, but toxic to economic freedom (Roberts, 2010). Cronyism and corruption pervert policy and rob the best ideas of legitimacy (Shourie, 2009). Aspiring entrepreneurs, willing to work hard and full of ideas and energy, start out against a stacked deck because they lack political and family connections. To get ahead, they need a system that maintains non-discriminatory markets and impartial credit allocation, as well as rewards for individual success (Roberts, 2010).

The Indian Administrative Service (IAS) had a strong beginning with support from Sardar Vallabhbhai Patel, one of the eminent leaders of the freedom struggle who referred to the Indian Civil Service (ICS – predecessor of the IAS during the British Raj [rule]) as the steel frame of the country, representing the essential spirit of the Indian nation – unity in diversity. Speaking in the Constituent Assembly in October 1949, Sardar Patel had remarked, “You will not have a united India if you do not have a good All-India Service which has independence to speak out its mind” (cf. Benbabaali, 2008). While ministers and political parties come in and go out of power, IAS officers stay and form a permanent part of the executive branch of the government, thus providing continuity and neutrality to the administration. IAS officers have a national outlook and are viewed as generalists who can assume a diverse array of responsibilities over their careers and move around the country from various state assignments to the national capital (Radin, 2007).

IAS officers are recruited by the union government on the recommendation of the Union Public Service Commission (UPSC) and are posted under various state cadres. The officers carry high respect and stature in the society coupled with the significant task of administering important public offices, making it one of the most prestigious jobs in India (Kumar, 2010). The appointing authority is the President of India, and while the respective state governments have control over the officers, they cannot censure or take disciplinary action against an IAS officer without consulting the union government.

Far from the lofty beginning espoused by Sardar Patel as noted above, the years since independence have been marked by a steady deterioration of Indian bureaucracy. Time and again, questions have been raised about the imperviousness, wooden-headedness, obstructiveness, rigidity, and rule- and procedure-bound attitude of the bureaucracy (Godbole, 2001). The bureaucracy has not only become inefficient, it has also become highly corrupt. According to a recent survey of the bureaucracies of the 12 Asian economies, India’s “suffocating bureaucracy” was ranked as

the least efficient, and working with the country's civil servants was described as a "slow and painful" process (Rana, 2012). Indian bureaucrats are said to be a power center in their own right at both the national and state levels, and are quite resistant to reform that affects them or the way they go about their duties (Saxena, 2010). According to a top IAS officer, the clean and motivated proportion of the 5,000 members of the IAS is just about 10% today while at the other end of the spectrum 15% are "scum" (*The Economist*, 2014).

Given the significance of the bureaucracy (the executive branch of government) in India's development, the aim of this chapter is to analyze and discuss the relationship between the IAS and crony capitalism. The chapter is structured as follows: in the next section, I discuss the external forces impacting on the bureaucracy (IAS) resulting in its dismal performance, followed by an analysis of the internal forces affecting its performance. Based on the analysis of external and internal forces, I provide recommendations for improving the efficiency and performance of the IAS.

External forces, the IAS, and crony capitalism

Apolitical services to committed services

As the Indian democracy has evolved, Indian politics has transformed into an unregulated business (Subramanian, 2015). The electorate in India is splintered into tiny fragments. In the Lok Sabha (the Indian equivalent of the House of Commons) elected in 2009, 99% of the members were elected by a minority of those entitled to vote; 92% were elected by fewer than 40% of electors; 58% by fewer than 30%; and 17% found their way in by securing the votes of fewer than 20% of electors (Shourie, 2009). The result of this fragmentation is that a significant number of legislators have criminal records, including convictions for the most serious offenses such as murder. One would not expect reforms and good governance as the priorities for such individuals. The political system both in states and at the center seems accountable not to the Indian masses but rather to those who are behind the elected members of legislative assemblies (MLAs) and members of Parliament (MPs); they often include contractors, mafia, corrupt bureaucrats, and manipulators who have made money through the political system (Saxena, 2010).

The founding fathers of the Indian polity wanted the IAS to be apolitical, independent, fearless, and upright in tendering advice to the government. Over the years, most of the governments, both at the center and in the states, have not deployed IAS officers in the spirit in

which they were meant to. The idea of apolitical services has been transformed into committed services. The civil servants of today are prepared to crawl when asked to bend and are prepared to do the bidding of their political masters, often anticipating their wishes (Godbole, 2001). There are multiple ways to coerce, cajole, and subdue honest officers. Some of the important ones are discussed below.

Transfer mania

The arbitrary transfers of government servants have become a part of the daily routine of present-day governments (both states and center). Many a time, transfers are used as an instrument of punishment. Transfers have become a lucrative industry in several states and there is no possibility of its being de-licensed even in this era of economic liberalization (Godbole, 2001). Whenever a new government is elected, the first thing it does is to transfer the IAS and Indian Police Services officers. For example, the Bharatiya Janata Party (BJP)–Bahujan Samaj Party (BSP) coalition government in Uttar Pradesh in 1995 transferred 600 officers in its 135-day tenure (Singh, 1997). Taking cognizance of this shocking state of affairs, the High Court of Uttar Pradesh noted that “all governments in the last decade had been responsible for making transfers and postings a lucrative industry and that government servant[s] were being treated like shuttle-cocks to be banged and battered around frequently on political, caste, monetary and other extraneous considerations” (Godbole, 2001).

During the ICS days under the British, officers had a fixed posting of three years as district collector/deputy commissioner and were never transferred without their expressed desire to do so (Kothari, 2001). Now, bright men and women join the IAS, but the adverse work environment, constant political interference, frequent and often meaningless transfers, and corruption below and above them, all lead to the death of idealism and encourage them too to misuse their authority (Saxena, 2010). It becomes very difficult for an officer to learn and understand all the issues in a district of a population of more than 10 lakh and more than 600 villages. At times, an officer is transferred within just a few months of one posting and as one would expect much of this time would be spent not in planning programs but in dealing with issues of moving to the new posting (Kothari, 2001).

Misuse of the Central Bureau of Investigation (CBI)

The honest officers are harassed and humiliated as if they are doing something that is against the interests of the country (Shourie, 2014).

Compounding these problems is the misuse of the CBI by successive governments to harass foes and protect friends. A few recent cases that have caught the country's attention are of those of Ashok Khemka and Durga Shakti Nagpal. Khemka is a senior IAS officer in the Indian state of Haryana and is best known for his honesty and for canceling the mutation of Sonia Gandhi's son-in-law Robert Vadra's illegal land deal in Gurgaon. Khemka received death threats (*India Today*, 2012), two charge-sheets (Kamal, 2013), and 46 transfers in a career spanning 22 years (Siwach, 2015). Nagpal, a civil servant and officer in the Uttar Pradesh cadre of the IAS, launched a drive against corruption and illegal sand mining within her jurisdiction of Gautam Budh Nagar and was suspended by the Uttar Pradesh government for allegedly demolishing an illegal mosque wall in a village in Greater Noida. Her suspension was revoked by the Uttar Pradesh government subsequently only after severe opposition from the association of Indian bureaucrats and the general public (Zanane, 2013). In 2013, the CBI registered a case against an IAS official, P. C. Parekh, in the allocation of the Talabira coal block in 2005. Parekh had a high reputation for integrity, and had actually raised questions about the allocation. Similarly, the CBI moved to investigate the secretary of the disinvestment ministry for the disinvestment of Udaipur's Laxmi Vilas hotel on the basis of an oral complaint, 12 years after the decision (Shourie, 2014).

It is not uncommon that bureaucrats who have displeased influential politicians or taken a principled stand against their ministers are victimized and humiliated, without anyone coming to their rescue. When a young district collector with two school-going children is repeatedly transferred from one place to the other, or an outstanding officer gets a rotten posting, his idealism takes a heavy beating. The bureaucracy is the creation of the prevailing political system, and a thoroughly corrupt and self-serving political system cannot foster an honest and public-spirited bureaucracy (Gill, 2001).

Indian socio-cultural context

Culture provides a comprehensive framework for understanding the various facets of work behavior. Cultural values and social habits are the societal means of coping with environmental exigencies and historical legacies (Sinha, 1990). For example, the developmental values of justice and equal opportunity for all have arisen out of the nation's disgust with corruption, crony capitalism, poverty, and inequality, and the resultant aspiration to catch up with the developed West. The external realities and the historical legacies have shaped significantly India's societal

culture that plays an important role in determining the work culture of government offices and bureaucrats. The relevant setting for the concern for work (or lack of it) may be a cluster of organizations located in a geographical or socio-political region having its own features and demands on the people who live in that region (Sinha, 1990). An analysis of the Indian bureaucracy will be incomplete without talking about the socio-cultural values and systemic features of the surrounding milieu within which it is situated.

Hierarchical social structures and relations

Indians are highly status conscious. The historical legacy of caste system that fails to die in the society has had such a pervasive influence on the Indian psyche that there is a high acceptance (and at times expectation) of hierarchy and high power difference with bosses and subordinates. Indians feel comfortable in the superior–subordinate framework, and peer group relationships induce anxiety till the peers are ranked on some real or imaginary dimension (Khatri, 2011; Sinha, 1990). Unquestioned power is an invitation for corruption and crony capitalism. Seeking and retaining power, whether personal or collective, and the desire to be secure corrupt the mind and bring about its decay (Krishanmurti, 1977, as cited in Verma, 2010). Each individual has vested interest which she is consciously or unconsciously protecting, watching over and not allowing anything to disturb. Self, consciously or unconsciously, uses activity or profession as a means for its own gratification, for the fulfillment of its ambitions, or for the achievement of success in terms of power (Verma, 2010). Bureaucrats are clothed with immense power. A district magistrate is the chairman of close to 80 committees that are responsible for the development of the district. When the power comes with subservient subordinates and people who are afraid to speak out openly against corruption and wrongdoings, it is likely to encourage cronyism. Thus, societies having high power distance may be at a disadvantage when it comes to human development and progress.

Own–other dichotomy

Indians prefer loyalty and dependability over efficiency and independence (Khatri, 2011; Sinha, 1990). They find it easier to work in paternalistic relationships (i.e. superior–subordinate roles) rather than with equals (Sinha & Sinha, 1990). They prefer personalized relationships based on their societal values of deference (*shraddha*) and affection (*sneh*). The role of the superior is to provide guidance, protection, nurturance, and care to the subordinate, and the role of the subordinate, in return, is to be

loyal and deferent to the superior (Aycan et al. 2000; Khatri, 2011). Kakar (1978) noted that Indians are more sensitive to (or concerned with) not the goals of work but emotional affinity. Such a work culture is bound to lead to administrative inefficiencies, favoring of own and interests of known people, and lack of trust and credibility, all ideal breeding grounds for cronyism.

Indians are to a greater extent still more parochial in thinking, feeling, and behaving. They are more accustomed to thinking in terms of narrow identities like their own selves, castes, communities, regional, and linguistic groups, which are constantly being reinforced by the government's actions (Desai, 2008), and eroding the work culture in Indian organizations. The social structures and rent-seeking behaviors that existed at the time of independence have been maintained and even expanded (Osborne, 2001). The feature of embeddedness with one's in-group (Sinha, 1990) has been found to lead to problems like regression of trust and a credibility gap resulting in caste-based group formations (Verma, 2010).

In the early period of the IAS, not only were most politicians from the Congress party but they were also from some of the same caste and communities as the IAS members. Both were composed of elites within the Indian society. Today, however, given the conflicts between politicians in the states and those at the center, it is not surprising that some individuals perceive a higher level of political conflict because the politicians and IAS members come from different communities (Radin, 2007).

Amoral familism

Poverty and its allied maladies have been so pervasive and extreme in India that even the well-to-do Indian in the post-independence era suffers from a poverty syndrome (Sinha, 2000). Poverty syndrome manifests in a fear of getting poor, becoming a failure in the face of odds, or running into unanticipated misfortune. Even those who are well-off fear to lose their possessions and scared that their children may become poor. Poverty syndrome leads to *amoral familism* that is characterized by a compelling concern to favor family and friends at the cost of community and public interest, thus leading to cronyism. Amoral familist Indians, hence, manifest a disposition to acquire and hoard material resources by adopting any – even corrupt – means, pursue narrow interests, and run after short-term gains (Verma, 2010). The most effective way to do so is to acquire, consolidate, and enhance power that enables them to accumulate more wealth, and also makes them immune from being censured for their wrongdoings. This is the classic case of cronyism.

Socialist economy and big government

India remained a closed, socialist economy till 1991 when the economic reforms were introduced. The license-permit-quota-raj, consisting of stifling controls, influenced prices, production, capacity, investment, imports and exports, capital markets, banking and finance, land, and labor during 1950–1980 (see Khatri and Ojha, Chapter 4 in this book). It provided for collusion between politicians and bureaucrats to generate money to run parties and fight elections, and later became a means of generating personal income and wealth (see Gowda and Sharalaya, Chapter 7 in this book).

The government plays a pervasive role in determining the health of an economy. It runs a number of public enterprises and operates key sectors like railways, mining, and power. In addition to playing an extensive role in agriculture, the government oversees the management of the social sector, particularly health care and education. Furthermore, as a regulator, the government's role is both broad, spanning most economic and welfare activities, and deep, including the micromanagement of several sectors of the economy, and price control and policy making for the private sector. As a result, its resources and managers are so overstretched that they cannot do justice to any area, let alone those that need attention and resources the most: basic education, primary health care, poverty alleviation, and rural infrastructure.

Commenting on the connection between big governments and crony capitalism, Jagannathan (2009) observes that India has a “high-cost and venal political system” where “government business almost always means corruption” and to “benefit from it, you have to be a crony capitalist, a friend of politicians.” He further notes “large government is invariably accompanied by crony capitalism. Reason: When government spends more, private companies do more business with it.” Another classic example of crony capitalism at work is in the government procurement sector. A recent Heritage Foundation report concluded that foreign companies win less than 1% of the contracts in the gigantic, government-funded Indian infrastructure construction market (Scissors, 2010).

It is true that the Indian bureaucracy became bloated and autocratic; this unfortunately might have been only adaptation by the bureaucracy to the political and social policies of the government. It had to grow to implement the ever-expanding role of government. It became autocratic only because it was representing an omnipotent government (Deshmukh, 2001). Given this situation it is easy to imagine both the opportunities and the discretion that is at the disposal of an IAS officer to make easy money.

IAS characteristics and internal factors

Nothing changed: ICS of British era continued

The Indian bureaucracy has never been able to shed its colonial paternal syndrome to assume the role of a public service provider (Gill, 2001). To be fair to the modern brand of politicians, it must be admitted that except for high integrity, neutrality toward party politics, and provision of minimal administrative services in times of emergency, the civil service even in the times of the British Raj had little to commend itself. Efficiency in the civil service was always narrowly defined; it was in terms of contempt for politics (Indian political parties) and adherence to rules, but never in terms of increased public satisfaction (Burra, 2010; Saxena, 2010). About the public administration, Jawaharlal Nehru wrote (Gill, 2001; Singh, 2005):

But of one thing I am quite sure, that no new order can be built up in India as long as the spirit of the ICS pervades our administration and our public services. Therefore it seems to me quite essential that the ICS and similar services must disappear completely, as such, before we can start real work on a new order.

Nehru had seen from close quarters the working of the Indian bureaucracy and had been at its receiving end for nearly two decades before he made this observation. He set up several committees to overhaul the system. But the colonial bureaucracy has remained intact (Burra, 2010). There is little indication that those who oversee the IAS have attempted to acknowledge that the more than 60-year-old system has been or should be modified to deal with the changing times and a new India. Some now even argue against the continuation of the IAS. The 2002 report of the National Commission to Review the Working of the Constitution argued that the “steel frame” of the IAS was not even a “cosmetic change” from the colonial era ICS and is thus a relic of a colonial past (Radin, 2007).

Unfortunately, there are little signs of flexibility and change in the way the new IAS recruits are trained at the Lal Bahadur Shastri National Academy of Administration (LBSNAA). Radin (2007) analyzed the curriculum of the foundation course for IAS officers at the academy and observed that there has been little change in the curriculum that was being taught a decade ago; there is little discussion on the problems of corruption, dealing with politicians, serving as a bridge between the people and the politicians, and issues of secularism the new officers face;

the curriculum does not deal with the need for officers to find ways to creatively integrate separate national policies at the local level; the economics section of the syllabus does not include detailed attention to the new global economy and India's role within it; the only mention of center–state relations is found in the subject area called political concepts and constitution of India.

Most of the faculty and directors at the academy are individuals who are veterans of the service who – not surprisingly – focus on the subjects and the teaching style that they experienced during their own training period. There is little acceptance of outsiders (management teachers, professionals) and willingness to hear new ideas. The IAS officers operate the academy as their government departments with a strict sense of hierarchy. Outside faculty are usually not invited to the academy as they do not understand the pulls and pressures experienced by an IAS officer. The faculty who teach the young officers is not exposed to teaching methods that are interactive and involve problem-solving techniques rather than traditional lecture classes. Some faculty members appear to view the foundation course as a way of preparing officers for their first district-level experience; others do not seem to emphasize that experience (Radin, 2007).

The colonial legacy, inflexible training, and disgust of the IAS establishment for political masters have ensured that the administrative accountability in India was always internal and upward, and the civil service's accountability to the public has been quite limited leading to greater incidents of cronyism (Saxena, 2010). Civil servants are just as comfortable with the status quo: the enterprises are as much a part of *their* empires as they are of the transient minister. Given the inclination of the minister, they are only too eager to show their usefulness by creating obstacles to the smooth functioning of public services.

Lack of professionalism

A high degree of professionalism ought to be the dominant characteristic of a modern bureaucracy. The fatal failing of the Indian bureaucracy has been its low level of professional competence. The IAS officer spends more than half of his tenure on policy desks where domain knowledge is a prerequisite. However, in the present environment there is no incentive for a young civil servant to acquire knowledge or improve his skills. There is, thus, an exponential growth in an officer's ignorance and arrogance. It is said that in the house of an IAS officer one would find only three books – the railway timetable because he is always being shunted from one post to the other, a film magazine because that is

his level of interest, and, of course, the civil list, which describes the service hierarchy (Saxena, 2010). An important factor which contributes to the surrender of senior officers before political masters is the lack of any market value and alternative employment potential. Beyond government they have no future, because their talents are so few. Most IAS officers, thus, end up as deadwood within a few years of joining the service and their genius lies only in manipulation and jockeying for positions within the government. As described earlier, the foundation and the refresher courses that are being taught at the LBSNAA do not add any skills that may be useful to them in their careers outside bureaucracy.

Researchers studying the civil service examination of India question the examination as it can hardly be called a measure of the intelligence and creativity of the administrative abilities of the entrant (Das, 2001). Data from the annual reports of the UPSC for 2014 show that there has clearly been a gradual increase in the number of candidates with bachelor's degrees, while the number of candidates with higher degrees is declining (Union Public Service Commission, 2014). While the percentage of candidates having higher degrees was 62% in 1995, the percentage was a mere 37% in 2013. A similar trend is also visible with respect to the selected candidates. The number of successful candidates with bachelor's degrees has gone up while the number of those with higher degrees has come down significantly. The percentage of selected candidates having higher degrees in 2013 was 39% as compared to 65% in 2003. The data show that the pool of applicants is getting increasingly filled with candidates whose educational background is qualitatively lower than those in previous years.

Structure of reward and punishment

The reward system in a public bureaucracy can take the form of compensation, promotions, and placements in civil service assignments. It is the government that determines the level of civil service compensation in India based on the recommendations of the pay commissions set up from time to time. There have been, so far, six pay commissions set up by the central government. Since the first pay commission (1946–1950), the commissions have recognized the ever-widening gap between government and private salaries. While government employees naturally value job security, they also need a reasonable standard of living. Payment of high salaries by itself is not a guarantee for the honesty and integrity of the public service. But, the payment of a salary that does not satisfy the minimum reasonable needs of a government servant is a direct invitation to corruption (Ministry of Finance, 1973).

The sixth pay commission introduced a lot of measures to ensure that some parity is established between the salaries of civil servants and private sector professionals. The commission recommended a higher starting salary for civil servants and also recommended that the government should have the flexibility to offer a market-driven salary to highly qualified scientific and technical personnel whose skills are in demand in the private sector. In addition, the commission made suggestions with regard to the appointment to selected posts at higher levels on contractual and tenured basis where market-driven salaries could be paid in order to attract the best possible expertise to the government. Further, taking into account the fact that a large portion of the salaries in the private sector comes from performance-related payments, the commission recommended introduction of performance-related incentives in the government (Ministry of Finance, 2008).

The promotion process in the IAS followed in India is a closed multi-track model. An IAS officer is assured of at least four promotions in his career that spans more than 30 years (Das, 2001). There is no lateral hiring, and only the person who has entered the civil service through the entrance examination can ever become a senior bureaucrat. It is an accepted principle in management that the competent and meritorious individuals should be given faster promotions and better career opportunities (Gupta, 2014). While the concept of benchmarking has been introduced in grading of annual performance reports, promotions are finally made on the basis of seniority only as all civil servants usually have good appraisal reports (Adhia, 2007).

What is discomfoting about the present promotion system is the almost guaranteed nature of promotions without any attempt at sifting the brighter and the more competent among the all-Indian services or relating the process of promotion to their performance. Time-bound promotions provide no incentive for officers to perform better than what they are capable of. When they see their counterparts in the industry getting promoted faster and earning more money, they are likely to indulge in corrupt practices so that they make money faster. According to a report by Kelly Services India, an HR solutions company, on salaries in the private sector, the salaries of employees beginning their careers in corporate jobs are at least 1.5 times higher than those who begin their careers in the IAS. The difference becomes wider as years of experience increase, and by the mid-state (10–15 years of experience), the gap widens to about 2–2.5 times. By the time the individuals reach the twilight of their careers (about 30 years of experience), the difference is anywhere between 3 and 5 times (Kelly Services India, 2013).

The experience of other countries is different from India. For example, Singapore, which now has the best bureaucracy in Southeast Asia (Rana, 2012), has periodically increased civil service compensation to bring it on par with the compensation in the private sector (Campos & Root, 1996; Das, 2001; Khandwalla, 1997). A civil servant in Singapore is one of the best paid in the country. Salaries of civil servants are reviewed annually and adjustments are made where necessary to keep pace with the market (Yong, 2014). By default, the civil servant gets an annual increase in pay (called merit increment) dependent on whether she performed well at work and on top of that a promotional increment (if she gets promoted to a higher job grade). The starting salary for a civil servant is based on her caliber (such as work experience, skills, educational qualifications, and personal qualities), demands of the job (such as the type of work and scheme of service that one is appointed to), and the prevailing labor market (Singapore Government, 2014).

The promotions in Singapore are entirely merit based. The merit of a civil servant is determined by her performance in the grade and by an assessment of the civil servant's ability to carry out the responsibilities and duties of the next grade. Reports of the supervisors on performance, recommendations of ministerial and departmental committees, and an assessment of the ultimate potential of the civil servant are taken into account for promotion (Das, 2001). In India, the promotion system is only remotely linked to internal merit and has, therefore, not succeeded in raising the stakes for corruption. The process of promotion is not one of healthy competition but only a rat race where many of the civil servants make use of power brokers, fixers, politicians, and top businessmen to get them into postings of repute and favor. Once in these positions, they are bound to return the support offered to them by indulging in acts of cronyism.

Transfers of civil servants in India are made with such frequency that fixity of tenure is an exception rather than the rule. The percentage of IAS officers spending less than a year in their current postings has ranged from 48% to 60% of the total strength of the IAS for the entire country (Anand, 2009). The percentage of IAS officers who spend more than three years in a current posting has been less than 10%. Wade (1982), writing on the Indian bureaucracy observed:

The transfer is the politicians' basic weapon of control over the bureaucracy, and thus the lever for surplus-extraction from the clients of bureaucracy. With the transfer weapon not only can the politicians raise money by direct sale, they can also remove someone who is

not being responsive enough to their monetary demands or to their request for favors to those from whom they get money and electoral support – in particular, the contractors. One is thus led to visualize a special circuit of transactions, in which the bureaucracy acquires the control of funds . . . then passes a portion to MLAs and especially ministers, who in turn use the funds for distributing short-term material inducements in exchange for electoral support.

Promotions and placements are a more selective and discriminating method to reward good officers than pay raise alone. In Japan, the promotions are merit based taking into account a combination of seniority and a number of performance indicators. Politicians in power have no inputs in the matter, thereby reinforcing the merit-based nature of the civil service system.

Business class and crony capitalism

Business and government are more often partners than adversaries when it comes to crony capitalism. While the primary responsibility for corruption lies with the political and bureaucratic class, we must also recognize that no bribe is received before it has been given. Of the ten biggest family firms by sales in India, seven have faced corruption controversies (*The Economist*, 2014). Until 1991, India had a license-permit-quota-raj, a regime of rules and quotas that could only be navigated with the help of bribes. However, liberalization of the economy post-1991 opened up a lot of avenues for cronyism. The value of mining licenses soared; privatizations and public-private partnerships became common, and prone to manipulation. According to the *Economist* (2014), the gains from rent-seeking over the past decade were estimated to be about \$80 billion. If one were to assume politicians and officials got an average cut of 5–15%, then total bribes paid would amount to \$4 billion to \$12 billion. At some places, the nexus between businesses and government became so strong that separate cities were carved out. For example, at their peak the Reddy brothers ruled over Bellary having different rules for its people. Karnataka Lokayukta (Ombudsman) Santosh Hegde reported a brazen flouting of laws and the use of the administrative machinery to serve the interests of a few, turning the town into a “Republic of Bellary” (Verma, 2011).

Private businesses are a source of political corruption in India. A significant way in which businesses fuel corruption in India is through electoral funding of political parties (see Gowda and Sharalaya, Chapter 7 in this book). Unlike Western countries like the USA, India does not

have national electoral funds that provide campaign money to the political parties for elections. It is common knowledge that the bulk of funding for the elections comes from private companies for services rendered in the past, and also for the promises of services to be rendered once voted into power, the only rider being that such funds are not publicly acknowledged by the giver or the taker (Das, 2001). The parties that come to power feel obliged to the business houses for funding them. Also, they would like to maintain good relationships for continued funding in the future. The vested interest of receiving money from the business sector motivates politicians to favor businesses and see to it that their work gets done with minimum inconvenience. It is no surprise then that in the past few years major industrialists have been found to have links with politicians like the Modi–Adani connection, Modi–Ambani connection, or Vadra–DLF connection (Balan & Damor, 2014; Malik, 2012; Press Trust of India, 2014).

The weaknesses in the bureaucratic framework and in the way different processes are conducted give businessmen an opportunity to milk the system to their advantage. The kind of collaboration that exists between administrators and private businesses in India is neither institutional nor systemic. In the past there have been several instances in which businessmen, through their political connections, have managed to install their favorite civil servants, who are understandably faithful protectors of their (the businessmen's) individual interests in top slots in the ministries of the government (Das, 2001). The personalized nature of such relationships has succeeded in creating and nurturing a culture which encourages the civil servants to distance themselves from civil society and be more conscious of the interests of the industrialists in India. An honest civil servant is coerced to act in favor of industrialists because if she does not, she is threatened with transfer or punishment by politicians who favor the private businesses.

The business class, which under normal circumstances would be expected to be a strong supporter of change, as a whole, is still under the spell of the license-raj. The core competence of many a business remains the ability to manipulate ministers and civil servants (see Khatri and Ojha, Chapter 4 in this book). Most of the businessmen would rather cut a private deal with the concerned minister or civil servant than work to change the system. Indeed, most of them would not think twice of the harm they may inflict on institutions and mores by the deals they cut. Overall, there has been, and is, great resistance to liberalization from the industrialists' lobby in India as it will level the playing field, open doors to honest and fair competition, and bring down the entry barriers.

Recommendations

As noted in the recent report of the Second Administrative Reform Commission, it is ironical that there has been no sincere attempt to restructure the civil service although more than 600 committees and commissions have looked into different aspects of public administration in the country (Kohli, 2010). The answers to the long-standing ills and deficiencies of the civil service will have to focus on both internal and external factors affecting the bureaucracy, as they reinforce each other. It is often forgotten that good governance is basic to any other reforms and changes in society. Everything else can be purchased for a price but not people-friendly, socially conscious, and clean administrators committed to the rule of law, respect for secularism, human rights, and the welfare of weaker sections of society.

The civil service of India needs a thorough transformation. In this section, I provide recommendations in two parts: (1) changes external to the IAS and (2) changes internal to the IAS.

Changes external to the IAS

The changes external to the IAS include the political will to change, increased civil society awareness, and a citizens' charter.

Political will to change

The examples of the turnaround of bureaucracies over the last 30 years from countries around the world like Australia, Canada, the UK, Malaysia, and Singapore show that political commitment to change is critical (Campos & Root, 1996; Khandwalla, 1997). The vast changes in many of the above-mentioned were driven by politicians. In Canada, the change was masterminded by the bureaucracy itself and had the necessary support of the political bosses. For reforms in governance, the political class needs to stand up, show commitment to change, and take responsibility for bringing in the change. A prime example of such leadership is Singapore's first prime minister, Lee Kuan Yew, who inherited a highly corrupt civil service but transformed it into a clean, efficient, effective, and exceptional public service. The Indian political class needs to take note of the rot in the bureaucracy and rectify it. Given the state of India's political class and problems of *amoral familism*, it is perhaps too much of wishful thinking to expect that politicians will drive the change. In such a case, classes that are making the new India – the entrepreneurs and the middle-class professionals – may have to weld themselves into a team of advocates. These classes may need to embrace the ethical universalism

that has three features: (1) civil life involves active participation of citizens, (2) public office is not a privilege, but a civic duty, and (3) everyone is equal before law (Khatri and Ojha, Chapter 4 in this book; Mungiu-Pippidi, 2013). Further, “liberal ethics” is a prerequisite for any vibrant democracy (English, 2013; Khatri & Ojha, Chapter 4 in this book). The term “liberal” indicates a respect for liberty, autonomy, and equality of others, along with rights of person, property, and fair treatment. With the popularity of social media, it is now possible to make changes. Only when there is a consensus and public opinion against the present state of affairs will the political class be put under any pressure to bring about the needed changes. The anti-corruption movement by Anna Hazare in 2011 led to the passing of the Lokpal and Lokayuktas Act, 2013, in Parliament on December 18, 2013, paving the way for the establishment of an ombudsman to fight corruption in public offices and ensure accountability on the part of public officials, including the prime minister. It is important that more such pressure groups are formed so that the political class is made to act in favor of change.

Increased civil society awareness

Indian society has a culture of being fragmented into narrow identities of caste, religion, and region and has much tolerance of injustice and acceptance of power differentials. In such a society, it is unlikely that citizens will organize themselves to fight corruption (Das, 2001). The absence of social capital can be addressed through dedicated efforts for creating awareness. The public should be encouraged to report cases of corruption by being rewarded for doing so, just as they are currently rewarded for bringing to light cases of income tax evasion (Government of India, n.d.). Non-governmental Organizations (NGOs) can play a vital role in spreading awareness about anti-corruption activities and groups. Groups like Parivartan and Kabir used the Right to Information Act (RTI) to address citizens’ grievances related to the Public Distribution System, public works, social welfare schemes, income tax, and electricity, thereby giving voice to the public. The NGOs were also instrumental in putting public pressure on the government to pass the RTI act in 2005. To ensure public support and participation, the activities of anti-corruption bodies should be publicized: details of cases, persons investigated, and action taken.

Hong Kong has taken a similar approach through its Independent Commission against Corruption (ICAC) with good results. The ICAC promotes the fight against corruption by advertising ways for citizenry to get involved in the government and raise complaints against corrupt officials. It conducts sessions in schools and colleges and publicizes steps

that can be taken to control corruption in the country. Recent actions by some political parties in India (Ghose, 2015; HT Correspondent, 2014) like setting up of a corruption helpline, “janta darbars” (public gatherings or town-hall meetings where ministers hear the complaints of citizens) are a step in this direction and need to be reinforced. Citizens should be encouraged to participate in governance more. Only when there is an aware civil society, will pressure be created on the political class to bring in administrative reforms.

Citizens' Charter

Public service performance improvements need to be pushed by increasing expectations from consumers as much as they are pulled by management expectations (Commonwealth Secretariat, 1995). All countries that have successfully transformed their bureaucracies have adopted a citizens' charter (called as Clients' Charter in Malaysia and Service Charter in Australia, Service Standards Initiative in Canada, and the Citizens' Charter in the UK) to improve the quality and effectiveness of public services. The concept of citizens' charter was first articulated and implemented in the UK by the Conservative Government of John Major in 1991 as a national program with a simple aim: to continuously improve the quality of public services for the people of the country so that these services respond to the needs and wishes of the users. The UK's Citizens' Charter initiative aroused considerable interest around the world and several countries implemented similar programs, as for example, Australia (Service Charter, 1997), Belgium (Public Service Users' Charter 1992), Canada (Service Standards Initiative, 1995), France (Service Charter, 1992), Jamaica (Citizens' Charter 1994), Malaysia (Clients' Charter, 1993), Portugal (The Quality Charter in Public Services, 1993), and Spain (The Quality Observatory, 1992).

The idea of a citizens' charter was adopted in India in 1997 when large public organizations like the railways, telecom, posts, and public distribution systems were asked to formulate a charter listing out their performance indicators. During the year 2002–2003, Department of Administrative Reforms and Public Grievances evaluated the design and implementation of charters in 5 central government organizations, 15 departments, and the 3 states of Andhra Pradesh, Maharashtra, and Uttar Pradesh. As per the evaluation carried out, in the majority of cases charters were not formulated through a consultative process; by and large service providers were not familiar with the philosophy, goals, and main features of the charter; adequate publicity to the charters had not been given in any of the departments evaluated; in most departments, the charters were only in the initial or middle stage

of implementation; and no funds had been specifically earmarked for awareness generation of the Citizens' Charter or for orientation of staff on various components of the Charter. On the other hand, there have been examples of significant improvements in government efficiency where timelines and expectations from government departments have been strictly defined. The Gujarat government adopted the idea of one-day governance where activities were identified that can be completed in one day (Adhia, 2007). The step has worked in achieving significant efficiency in the government administrative system.

The exercise of formulation of citizens' charters for departments in India has been a failure so far. This may be explained partly by the influence of Indian culture (see Billing and Farro, Chapter 6 in this book). The seriousness and consultation process is minimal or largely absent. It has been reduced to one of the routine activities of the government departments and has had no focus. If the civil service has to be improved, each and every government department needs to be mapped and performance expectations (measures) should be listed clearly. Citizens' rights, departmental responsibilities, quality of service, and time frame for providing the service should be clearly specified. Measures of customer satisfaction and of efficiency will have to be devised and institutionalized in order to put pressure on the civil servants and push them toward change.

Changes internal to IAS

The changes and reforms internal to the IAS include the following: recruitment and selection, agency-based restructuring, performance management, punishments, information technology, and financial discipline. I elaborate on these changes and reforms next.

Recruitment and selection

The bureaucratic structure in India is largely an insulated labor market. The system has been designed to ensure that, by and large, only those who enter the civil service through the examination system, and thus make the early commitment, gain access to senior positions (Das, 2001). There is no room for horizontal entry into top and middle ranks. Like the civil service in the UK (Khandwalla, 2010), India should aim to develop a cadre of professional senior managers to support ministers in policy formulation and implementation. These should be lateral entry contractual jobs with a well-defined career progression (Kohli, 2010). Managerial focus, leadership, innovation, communication, and professional competence should be among attributes that governments should seek in the senior civil servant (World Bank, n.d.). It should be

more performance oriented and less process compliant than the general public service. Senior civil servants' selection should be about identifying good managers of the public sector and should consist of individuals who have had an outstanding record of running public or private businesses, and/or strategic planning and execution of large public projects. They should be selected by the UPSC on a competitive basis and placed at a level higher in terms of authority, pay, and prestige than the highest grade possible for IAS officers entering through the civil service examinations. Exceptional performers among those IAS officers who have entered through the civil service examination should also be absorbed into the senior civil service. Creating a senior civil service will break the insulation of the IAS and will present an incentive for the officers to work harder. Also, not only does this system open up the choice of top managers from a much wider pool, new entrants bring in their own "culture" which promotes renewal and innovation in public organizations.

Agency-based restructuring

Public bureaucratic departments should be converted into national-level and state-level executive agencies. The agencies should have executive functions within a framework of policy and resources provided by the ministry. Each executive agency should be headed by a chief executive selected from the senior civil service and should have considerable operating freedom subject, however, to the policy and resources framework. The chief executive should be appointed to the agency based on her preferences on a contractual basis for a block of five years that can be extended based on a periodical review. The chief executive should be assisted by a small team of civil servants who will report directly to her. Before forming an agency, however, some tough questions should be addressed: Should the agency be formed at all? If yes, could it be privatized or contracted out? Does the work overlap with that of other departments? Can multiple departments be merged into a single department?

Once the decision to form an agency is taken, the agency should come out with its citizens' charter clearly listing its mandate, objectives, performance indicators, timeframe for providing the services, and budget. The agencies should receive targets from the government/ministers and would be answerable to Parliament about the achievement of those targets. Apart from setting the targets, politicians should have no say over the day-to-day operations of the agency. The chief executive officers should be responsible for running the agencies in the manner they deem fit. They should be responsible for creating and abolishing positions,

and for transferring, appointing, and promoting staff. At the end of the year, the agency should come out with an annual report providing information on its activities and achievement against targets. The chief executive officer, and not the minister, would be responsible for answering questions in parliament on the achievement of targets and on the performance of the agency.

Having an agency-based structure for bureaucracy has several merits. First, in line with new public management philosophy (Khandwalla, 2010), the structure will enable functioning of the Indian bureaucracy as a private sector organization. Second, the agencification of bureaucracy will break the influence of politicians on selection, appraisal, transfers, and promotions that is so solely needed in the Indian context. Third, the agency-based structure will make it mandatory to rethink and rationalize the work that is being done by the bureaucracy. Fourth, the agency-based restructuring will provide an incentive for civil servants to perform. In the agency structure, they would be made answerable to the chief executive who would have the power to even dismiss them for non-performance. Exemplary IAS officers should be absorbed into senior civil service and made chief executive officers.

Performance management

Effective reward and appraisal systems are the best way to introduce a performance orientation as they generate perceptions of procedural and distributive fairness (Adhia, 2007; Gupta & Kumar, 2013). As described above in the section on Indian culture, Indians are collectivistic, prefer loyalty over efficiency, have a strong sense of own–other difference and are great at ingratiation. Getting fair assessment in such a personalized and particularistic context is complicated. In the present system, every IAS officer gets good ratings from their supervisors irrespective of their actual performance (Adhia, 2007). One of the ways to break this cycle is to involve the citizens (customers) availing the service in the evaluation of IAS officers. The UPSC should have a separate wing that should be responsible for the performance appraisals of the IAS officers. The UPSC appraisal wing should be headed by representatives from former senior civil servants, distinguished judges, citizens, and academicians working in the sphere of public policy and social welfare. The wing should be responsible for the appraisals of chief executives only. All other officers working in an agency should be appraised through systems and processes set up by the agency. Achievement of the performance targets by the agency should be evaluated by collecting data from the customers (citizens) the agency served. The agency performance should solely

determine decisions regarding pay and promotions for chief executives. For IAS officers who report to the chief executive, the agency performance should have part weightage (50%) and the ratings by chief executive should have the remaining weightage.

Good performers should be identified and adequately rewarded through both monetary and non-monetary incentives. To enable better performance and give officials stable tenures, chief executives and IAS officers should have tenures of five years in an agency. Some amount of career management should also be brought into the administrative service. Similar to the Indian Army, the postings of IAS officers should be categorized according to demand and difficulty so as to ensure that everyone gets a fair chance to serve on both important and difficult (such as in remote and tribal areas) assignments. A mix of postings should be created for all officers, and it should be ensured that each IAS officer has the easy and the difficult, the good and the bad of the service.

In order to make the bureaucracy growth oriented, it is essential to institutionalize certain key values in the governance and administrative system. Some of these values are quality in the public services, concern for efficiency and productivity, innovation in improving quality and productivity, discipline, integrity, and accountability. Training should be provided in the use of new technologies in management, ethics, and management of cultural diversity, people-related skills, and service quality. Language training for management of people of a multilingual society should also be provided. The training should largely be administered and coordinated by LBSNAA. The director of LBSNAA should be an academician who has been involved in training and research on bureaucracy/public policy for a substantial period of time and has made a significant contribution to the field. Today the director of LBSNAA is a bureaucrat who has little information of the latest trends in research, education, and training. LBSNAA should also empanel leading training institutes/agencies that would be willing to offer training programs.

IAS officers should be sent for regular training programs from time to time in order to pick up the essential skills needed to perform effectively at work. Mapping of the training needs should be one of the important tasks of the UPSC and training should be linked directly to the identified training needs. A proper record of the training attended by each officer should be maintained and a follow-up assessment on the impact of training on individual/group performance should be performed. While the training should be largely done at LBSNAA, short-duration training relating to specific topics can be planned with an external agency.

Punishments

All matters relating to corruption and misconduct of IAS officers should be referred to the central vigilance commissioner (CVC) which should have all powers to investigate cases and implement the judgments/decisions reached. The CVC should have full authority to enforce punishments once a decision has been taken. A time frame should be decided on beforehand within which the matter has to be investigated and decision reached. The system should be modeled on the lines of a court martial in the army, where a separate civil service court is set up to determine the guilt of the members of civil service and if the defendant is found guilty, to decide upon punishment. The civil service court should be able to try personnel for all kinds of offenses except murder and rape of a civilian, which should primarily be tried by a civilian court of law. Political and government authorities should have no interference in the functioning of the civil service court. As has been done in Japan and Singapore (Das, 2001), offenders and personnel found guilty of corruption should also be subjected to public shaming.

The CVC should have complete control over the central and state investigation agencies. The directors of the investigation agencies should report directly to the CVC who will have complete executive control over them. The CVC should be run in a manner similar to the Election Commission of India. A committee consisting of five members, namely, the president, the prime minister, the deputy prime minister, chief opposition whip in the Upper and Lower Houses of Parliament, should select the CVC. The commissioner should be free to choose his teams. The commissioner should have a fixed tenure of five years and should enjoy the same status and salary and perks available to the senior-most civil servant of the country. The CVC can be removed from office only through impeachment by Parliament.

Information technology

An office of Management Information Systems and Technology should be set up which would be responsible for adopting and implementing the latest available technologies and decision support tools for decision makers to conduct and coordinate the UPSC examinations; streamline various government procedures; automate routine processes to cut costs and the need for human intervention; design and conduct online surveys on agency performance; maintain detailed cost and income records for agencies; and maintain a central database of staff, staff reports, training, and all web portals for agencies. The confidentiality of government papers concerning all officers is always under question. Management

information systems with respect to disciplinary matters concerning IAS officers should also be maintained by the office. All information about IAS officers, including their past performance, corruption scandals, wealth, judgments on them, achievements, and complaints about them, should be made online so that citizens can know more about their bureaucracy and hold them to account for non-performance. Each webpage relating to an IAS officer should also have a place where citizens/customers can give feedback about the officer and lodge complaints about him.

A chief information officer (CIO) should be appointed by the UPSC to head the office. The CIO should be selected on a competitive basis by a committee comprising select senior civil servants, MPs, members of the judiciary and distinguished citizens. The CIO should be completely autonomous and should be free to create positions, select staff, identify performance measures, appraise performance of her staff and set up other HR systems. She should work with chief executive officers and help them in their work/problems. She should be appraised annually by the UPSC committee and should have no political interference in her work.

Financial discipline

Financial management initiatives should be taken to ensure that the agencies maintain financial discipline. Each agency should come out with the budgets at the beginning of the year that should be audited and cleared by a committee formed by Parliament. Beyond the auditing exercise, Parliament should have no role in determining how the money should be spent. Instead, the chief executive officers of the agencies should have full freedom to use the money allotted to them. At the end of the year, executive officers should submit a record of their expenditures to the parliamentary committee.

Agencies should be encouraged to identify means of generating revenues to offset the spending, so that total government spending can be controlled. For this, the user-pay principle as adopted in Australia and New Zealand (Khandwalla, 1997) can be explored. Agencies should be made to pay for availing the services of other government agencies. Agencies should become vendors to ministers, who can place orders with their agencies specifying standards of quantity, quality, timeliness, and cost. Ministers should also have the right of refusing to buy from agencies under their charge. Performance agreements between chief executives and ministers should be mandatory. Under such agreements the chief executives should agree to sell the outputs of their agencies at agreed-upon cost, quality, timeliness, and so on. CEOs should be

evaluated at the end of the year on their performance and on the delivery of the outputs based on the standards decided upon earlier.

Conclusion

There is a striking similarity in the steps adopted by various countries that have tried to improve their bureaucracies. Asian countries like Malaysia, Singapore, Japan, and South Korea have been able to turn around their bureaucracies by adopting strict steps that had been proven in the West. Indian bureaucracy needs a complete overhaul if it has to live up to the expectations of its people. The present chapter has presented a brief description of the administrative reforms that are needed to be brought in. Figure 9.1 provides a diagrammatic representation of the changes suggested for the bureaucracy in this chapter.

In order for the reforms to be effective, there are some supporting conditions that are necessary: First, political commitment for the reforms is essential. The importance of securing political commitment for administrative reform is identified as a major influence on implementing successful public service reform. The India of today is showing positive signs of change when it comes to politics. The citizenry is becoming more vocal about its problems and is willing to rise above narrow boundaries

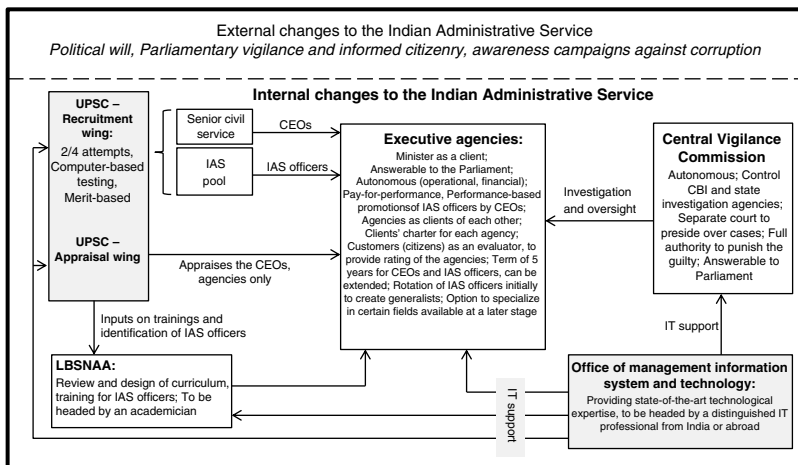


Figure 9.1 An overview of Indian administrative reforms

Note: UPSC – Union Public Service Commission; LBSNAA – Lal Bahadur Shastri National Academy of Administration.

of caste and religion to vote for parties that talk about development and growth. Second, ownership of change across the public service is vital. The public civil servants need to feel a sense of involvement in the way bureaucracy would be reformed and they should share the vision and want the change. Involvement of IAS officers in the change process from the very beginning can make the change happen faster. Countries like Canada and the UK began their change process by setting up task forces and scrutiny exercises that were headed by civil servants who had volunteered for a scrutiny, and evolved the needed changes.

Third, civil society's patience and support while the change happens would be needed. An effective public service serves and also draws support from a lot of groups like citizens' associations, NGOs, industry and trade associations, trade unions, academic institutions, and the media. These groups are sources of various skills, ideas, competencies, and commitments required for sustaining administrative reforms. Finally, there must be recognition that reform is a continuing, long-term process and that it will be continuous. The changes implemented should be assessed and reassessed for their effectiveness. Longer-term flexibility and willingness to change and innovate will be critical for the reform agenda.

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