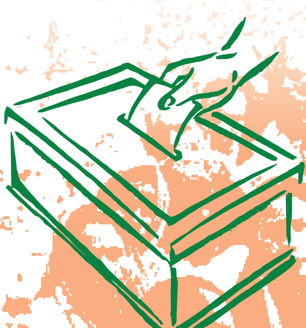
JOURNAL OF

GOVERNANCE & PUBLIC POLICY

Volume 8, No 1, January-June 2018

ISSN 2231-0924



Indexed in:
- UGC list of Journals
- Ebsco Database
- Ulrichsweb
- Proquest

INSTITUTE OF PUBLIC ENTERPRISE

Aims and Scope

Journal of Governance & Public Policy is a bi-annual refereed journal published by the Institute of Public Enterprise to provide a forum for discussion and exchange of ideas on Governance (local to global) and Public Policy (including foreign policy and international relations) by policy makers, practitioners and academicians.

The views expressed in this publication are purely personal judgements of the authors and do not reflect the views of the Institute of Public Enterprise.

The views expressed by outside contributors are their personal views and not necessarily those of the organisations they belong to.

All efforts are made to ensure that the published information is correct. Institute of Public Enterprise is not responsible for any errors caused due to oversight or otherwise.

Published by: Satyam N Kandula on behalf of Institute of Public Enterprise

Owned by: Institute of Public Enterprise

Printed by: Satyam N Kandula on behalf of Institute of Public Enterprise

Printed at: Wide Reach Advertising Pvt Ltd, 21, Surya Enclave, Trimulgherry, Hyderabad - 500015.

Place of Publication: Institute of Public Enterprise, OU Campus, Hyderabad - 500007.

We thank Indian Council of Social Science Research (ICSSR) for Financial Assistance for Publication of the Journal.

Call for Articles

Journal of Governance & Public Policy welcomes original, theoretical and empirical research articles and case studies, etc.

Our areas of interest include issues like policy formulation and implementation, governance challenges and reforms, transparency, accountability, issues of service delivery, public-private partnership, and New Public Management, corruption, digital governance and information technology.

Book Reviews are also an important constituent of the Journal.

Dialogue / Debate

The Journal invites readers to raise issues, offer comments and criticism, and suggest ways and means of enhancing implementation and performance at all levels of governance. Please send your responses to the particular article(s) in not more than 1000 words, which will be published in the next issue of the Journal along with the author's rejoinder(s), as per the usual editorial discretion.

For further details please write to the Editor at editorgpp@ipeindia.org or check the IPE website www.ipeindia.org

The Editor

Journal of Governance & Public Policy
Institute of Public Enterprise
OU Campus, Hyderabad - 500007

CONTENTS

FROM THE EDITORS' DESK

With rising expectations from the public representatives and growing demand for efficient public services delivery taking the center-stage, elected governments the world over are setting their focus on designing robust mechanisms for meeting the expectations of their citizens. Efficient public service delivery has always been a challenge especially for the developing countries which deal with issues like with corruption, lack of transparency, unresponsive grievance redressal mechanisms, despite many legal provisions in place to deal with them. The greatest challenge that the policy makers face is that despite these well-designed policies and processes in place for delivering good governance, there is not much that is changing on ground in terms of improving the lives of the common man. This issue has been rightly addressed in the 'World Development Report', 2017, which placed its focus on how the three critical components – the governments, the citizens, and the communities engage to design and apply policies to ensure desired results.

India has embarked on a journey of inclusive growth and has initiated the process of transforming public sector institutions by making them more vibrant, productive and competitive thus enhancing the chances for all the communities to engage themselves and derive the benefits there from. New and bold initiatives like Make in India, Startup India, Skill India, Digital India etc., have mandated new generation reforms in public sector institutions and have strengthened good governance processes by making these institutions fit to take on future challenges. These programs have not only opened up the market to domestic and international firms and created an enabling environment for ease of doing business, but have also introduced entrepreneurship as a new buzz word and empowered the youth.

The current issue of the Journal of Governance and Public Policy presents some very interesting papers highlighting governance reform initiatives on policy issues like banking reforms, urban reforms, transparency through right to information, corruption and performance management.

Dr Geeta Potaraju
Dr A Sridhar Raj

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.3-14

Impact of Mergers on Profitability and Liquidity Analysis of Select Public Sector Banks in the Pre and Post Merger Periods in India

M. Jegadeeshwaran[1] and **M. Basuvaraj**[2]

Banking sector is referred to be lifeline of the Indian economy and occupies an important and fundamental place in a developing nation like India. Mergers and Acquisitions as a phenomenon are implemented to strengthen the banking system, embrace globalization, improve healthy competition, exploit economies of scale, adopt advanced technologies, raise efficiency and improve profitability. The main objective of this study to examine the profitability and liquidity analysis of select public sector banks in the pre and post merger periods. The study period covers five years the pre and post merger of banks. The year of merger as a base year and hence, it is excluded from the evaluation in order to have consistency in evaluation of pre and post merger performance of acquirer banks. The year of merger differs in all merger deals. For the purpose of the study, the census method has been adopted to select public sector banks namely the State Bank of India, Indian Overseas Bank, Bank of Baroda, Punjab National Bank, IDBI Bank and Oriental Bank of Commerce. The latest mergers have been taken for sample size of the study i.e. after the year 2000 has been considered. The data analysis is done using ratio analysis, descriptive statistics like mean, standard deviation, coefficient of variation, compound annual growth rate and paired t test.

Keywords

Profitability, Liquidity, Mergers, Public Sector Banks, Ratio Analysis, Descriptive Statistics and Paired t-test

Introduction

Banking sector is referred to be lifeline of the Indian economy and occupies an important and fundamental place in a developing nation like India. Mergers and Acquisitions as a phenomenon are implemented to strengthen the banking system, embrace globalization, improve healthy competition, exploit economies of scale, adopt advanced technologies, raise efficiency and improve profitability. The greater parts of the mergers were triggered due to weak financial and operating performance of the target bank. The mergers were mainly triggered for business and commercial reasons. Mergers and acquisitions continue to be a major force in the restructuring of the monetary service industry. Indian banking sector is currently passing through an existing and challenging phase with the foundation of economic reforms in India, banks also prefer merger and acquisitions to obtain the benefits of economics of level through diminution of cost and maximization of equally economic and non-economic benefits.

1 Assistant Professor, School of Commerce, Bharathiar University, Coimbatore and can be reached at drmjegadeesh@gmail.com

2 Ph.D Research Scholar, School of Commerce, Bharathiar University, Coimbatore and can be reached at basuvarajm93@gmail.com.

Review of Literature

International Studies

Fauzias Mat-Nor *et. al.,* (2006) they made a study on financial performance and efficiency changes of Malaysian banking institutions in mergers and acquisitions. The purpose of their paper is two fields first, it intends to analyze the financial performance changes of commercial banks on standalone basis and compare it with 'post merger' basis on the consolidation program initiated by the central bank following the recent 1997-1998 Asian financial crisis. This paper also tries to analyze and explore the efficiency of the banks that consolidation, they conclude the ten anchor banks tend to show high performance for overhead efficiency and cost to income than standalone basis and the six anchor banks. In terms non performing loan or credit risk, profitability and liquidity, consolidation program appear to increase efficiency and may have improved the real economics where these consolidation occurred.

Muhammad Usman Kemal (2011) in his article post merger profitability: a case study of royal bank of Scotland the main aim of his study to analyze the merger of banks improve the profitability, the finding of his study shows that the financial performance of royal bank of Scotland in the areas of profitability, liquidity, asset management, leverage and cash flow has been quite satisfactory before the merger deal. It means that merger deals tails to improve the financial performance of bank.

Mehroz Nida Dilshad (2012) have conducted a study on Profitability analysis of mergers and acquisitions: An event study approach in Europe. The main purpose of his research is to test the efficiency of market with respect to announcements of mergers and acquisitions using an event study methodology, special this study analyzed the effect of bank mergers and their announcements on the prices of stocks in Europe. This study finding reveals that there is definitely action in the prices of stock around day, but the analysis also shows that the merger may not be significant in determination of the reason for the particular behavior. The results of his study explain that mergers or acquisitions in banking sector tend to be positive net present value activities for a short period for acquires.

Indian Studies

Beena. S (2008) attempted to find out whether the process of mergers and acquisitions are really contributing to the changes in the level of concentration in this industry. For the study, the author used an exclusive database on mergers and acquisitions in the pharmaceutical industry and applied multiple least square regression frameworks to assess the impact. The findings indicated that mergers and acquisition have a major role in changing the market structure of the sample industry studies and pointed the need for a proper integration of pharmaceutical policy and competition policy.

Predeep Kaur and Gian Kaur (2010) have conducted the study on impact of mergers on the cost efficiency of Indian commercial banks. Their study examines the cost efficiency of Indian banks using a non-parametric data envelopment analysis technique. The paper also empirically examines the impact of merger on the cost efficiency of banks that have been merged during post liberalization period, the finding of this paper suggest that to some extent merger programme has been successful in Indian banking sector. The government and policy maker should not promote merger between strong and distressed banks as a way to promote the interest of the depositors of distresses banks, as it will have adverse effect upon the asset of the stronger banks.

Statement of the Problem

The success of a mergers lies in a lot of issues such business, appraisal, risk integration etc, however, merger activities in the Indian banking sector have a marvelous effect on the bank performance. There are various reasons behind firms going for mergers and acquisitions. The merger deals are frequent not only in the developed countries but also have become more apparent in the developing countries. In the pre-liberalization period, in India, the incident recorded and upsurge in the waken of liberalization measures resulting into shrinking the government controls, regulations and margins at which point the corporate houses got freedom to enlarge, spread and modernize the operations by resorting to mergers, takeover etc. With increasing competition and the economy direction towards globalization, mergers and acquisitions are estimated to come about at a much larger scale than any time in the earlier period and have played a most important role in achieving the competitive edge in the dynamic market environment.

Objective of the Study

To examine the profitability and liquidity analysis of public sector banks in the pre and post merger periods.

Hypotheses of the Study

There is no significant difference in profitability and liquidity analysis of public sector banks between pre and post merger periods.

Research Methodology

Sources of Data

The present study is mainly based on secondary data. The data for this study is collected from CMIE prowess database and also from selected banks annual reports, annual reports published by the Reserve Bank of India (RBI) , money control website and Department of banking supervision.

Period of the Study

The study period covers five years pre and post merger of banks. The year of merger as a base year and hence, it is excluded from the evaluation in order to have consistency in evaluation of pre and post merger performance of acquirer banks. The year of merger differs in all merger deals.

Selection of the Sample

For the purpose of the study, the census method has been adopted to select public sector banks namely the State Bank of India, Indian Overseas Bank, Bank of Baroda, Punjab National Bank, IDBI Bank and Oriental Bank of Commerce. Merger in India has assumed great significance with the advent of the policy of deregulation initiated in the year of 1991 and in the selection of sample the latest mergers have been taken for sample size of the study i.e. after the year 2000 have been considered.

Tools for Analysis

The data analysis is done using ratio analysis, descriptive statistics like mean, standard deviation, coefficient of variation, compound annual growth rate and paired t test

Table-1: Profitability and Liquidity Analysis of Select Public Sector Banks in the Pre and Post Merger Periods

(In Percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	10.88	7.65	25.61	15.40	13.27	9.06	0.94	0.60	17.88	11.34	0.79	1.17	0.34	0.90
	10.20	9.69	19.94	23.32	12.31	10.99	0.89	0.88	15.94	13.95	0.80	1.20	0.39	0.67
	9.68	10.39	18.40	22.04	11.50	11.79	0.80	0.90	14.51	14.26	0.87	1.20	0.48	0.69
	11.53	7.03	23.62	13.99	13.75	7.99	0.93	0.61	13.72	9.21	0.81	1.37	0.62	0.88
	11.93	7.49	30.60	13.32	14.30	8.60	0.95	0.64	15.74	10.20	0.94	1.27	0.50	0.84
MEAN	10.84	8.45	23.64	17.61	13.03	9.68	0.90	0.73	15.56	11.79	0.84	1.24	0.47	0.80
SD	0.92	1.49	4.83	4.71	1.12	1.63	0.06	0.15	1.58	2.25	0.06	0.08	0.11	0.11
CV	8.53	17.64	20.45	26.73	8.62	16.80	6.61	20.67	10.18	19.04	7.46	6.63	23.15	13.64
CAGR	0.018	-0.004	0.036	-0.029	0.015	-0.010	0.002	0.012	-0.025	-0.021	0.04	0.02	0.08	-0.01

Source: Money Control and Department of Banking Supervision

The above Table-1 portrays that the profitability and liquidity analysis of State Bank of India in the pre and post merger periods. During the pre merger period net profit to total deposit ratio shows the highest mean value of 23.64 followed by net profit to net worth ratio with the mean value of 15.56. Net return to total asset ratio shows the lowest mean value of 0.90. Net return to total asset ratio shows the consistent in pre merger period and inconsistent in net profit to total asset ratio. In post merger period the net profit to net worth ratio shows the highest mean value of 11.79 followed by net profit to total deposit ratio with the mean value of 17.61. Net profit to interest income ratio shows the consistent in the post merger period and inconsistent in net profit to total deposit ratio. In liquidity analysis portrays that the liquidity analysis of State Bank of India in the pre and post merger periods. The current ratio shows the highest mean value in the pre and post merger periods. The current ratio also shows the consistent in both pre and post merger periods. The liquidity position of state bank of India has increased more than during the pre merger period and it can be understood that more current assets would be earned and maximizes their liquidity from core business Capacity because of mergers.

Test for Difference in Profitability and Liquidity Analysis of State Bank of India

$Ho_{2:}$ There is no significant difference in profitability and liquidity analysis of State Bank of India between the pre and post merger periods.

Table-2: Difference on Profitability and liquidity Analysis of State Bank of India between the pre and post Merger Periods

Profitability Analysis						Liquidity Analysis	
Ratio	NP to T Inc	NP to TD	NP to Int Inc	NP to TA	NP to NW	CR	ALR
T value	2.257	1.462	2.753	1.913	3.247	-9.454	-5.396
Sig	0.087	0.218	0.050*	0.128	0.031*	0.001*	0.006*

Source: Computed Data *indicates statistical significance at 5 percent level

The Table-2 indicates that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in net profit to interest income ratio and net profit to net worth ratio between the pre and post merger periods of State Bank of India. In liquidity analysis describes that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of State Bank of India.

Table-3: Profitability and Liquidity Analysis of Indian Overseas Bank in the Pre and Post Merger Periods

(In Percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	6.22	13.29	0.72	1.43	7.26	15.09	0.65	1.18	20.33	25.35	1.54	1.64	0.94	1.44
	10.33	11.68	1.13	1.32	11.94	13.75	1.01	1.11	28.51	22.31	1.36	1.50	1.02	0.82
	11.21	6.18	1.24	0.64	13.66	6.90	1.09	0.54	26.56	11.14	1.73	2.59	1.43	2.02
	13.71	8.05	1.47	0.74	16.49	8.86	1.29	0.60	26.77	13.14	1.45	2.47	1.23	2.05
	15.26	5.37	1.56	0.59	17.78	5.87	1.32	1.00	25.64	-1.03	0.75	3.55	0.63	2.48
MEAN	11.34	8.91	1.22	0.94	13.42	10.09	1.07	0.89	25.56	14.18	1.37	2.35	1.05	1.76
SD	3.47	3.45	0.33	0.40	4.14	4.12	0.27	0.29	3.11	10.40	0.37	0.83	0.30	0.64
CV	30.61	38.72	26.83	42.38	30.85	40.81	25.17	33.11	12.15	73.33	27.01	35.20	28.92	36.52
CAGR	0.20	-0.17	0.17	-0.16	0.20	-0.17	0.15	-0.03	0.05	-1.53	-0.13	0.17	-0.08	0.11

Source: Money Control and Department of Banking Supervision

The Table-3 reveals that the profitability and Liquidity analysis of Indian Overseas Bank in the pre and post merger periods. During the pre merger period net profit to net worth ratio shows the highest mean value of 25.56 followed by net profit to interest income ratio with the mean value of 13.42. Net profit to total asset ratio shows the lowest mean value of 1.07, net profit to net worth ratio shows the consistent in pre merger period. In post merger period the net profit to net worth ratio shows the highest mean value of 14.18 followed by net profit to interest income ratio with the mean value of 10.09. Net profit to interest income ratio shows the consistent in post merger period and inconsistent in net profit to net worth ratio. In liquidity analysis of Indian Overseas Bank in the pre and post merger periods the current ratio shows the highest mean value in the pre and post merger periods. The current ratio also shows the consistent in both pre and post merger periods. The liquidity position of Indian overseas bank has increased more than during the pre merger period and it can be understood that more current assets would be earned and maximizes their liquidity from core business capacity because of mergers.

Test for Difference in Profitability and Liquidity Analysis of Indian Overseas Bank

$Ho_{2:}$ There is no significant difference in profitability and liquidity analysis of Indian Overseas Bank between the pre and post merger periods.

Table-4: Difference on Profitability and Liquidity Analysis of Indian Overseas Bank Between the Pre and Post Merger Periods

	Profitability Analysis					Liquidity Analysis	
Ratio	**NP to T Inc**	**NP to TD**	**NP to Int Inc**	**NP to TA**	**NP to NW**	**CR**	**ALR**
T value	0.817	0.889	0.933	0.832	2.168	-2.007	-2.148
Sig	0.464	0.424	0.403	0.452	0.096	0.115	0.098

Source: Computed Data *indicates statistical significance at 5 percent level

The Table-4 indicates that t-value is not significant at 5 percent level. Hence, the null hypothesis was accepted. Therefore, it is concluded that there is no significance difference in net profit to total income ratio, net profit to total deposits ratio, net profit to interest income ratio, net profit to total assets ratio and net profit to net worth ratio between the pre and post merger periods of Indian Overseas Bank. In liquidity analysis indicates that t-value is not significant at 5 percent level. Hence, the null hypothesis was accepted. Therefore, it is concluded that there is no significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of Indian Overseas Bank.

Table-5: Profitability and Liquidity Analysis of Bank of Baroda in the Pre and Post Merger Periods

(In Percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	8.15	8.75	0.96	0.83	9.16	10.52	0.77	0.71	13.39	12.03	3.29	1.53	1.06	0.45
	8.58	12.66	0.98	1.12	9.63	14.79	0.86	0.93	15.54	13.39	3.38	1.90	0.95	0.47
	4.25	9.69	0.51	0.82	4.77	11.14	0.43	0.72	8.18	11.87	2.47	2.17	0.87	0.76
	7.86	10.35	0.88	0.94	9.17	12.15	0.77	0.80	14.26	13.00	1.95	1.77	0.56	0.74
	10.50	12.48	1.16	1.16	12.67	14.76	1.01	0.98	17.62	17.35	1.35	1.46	0.69	0.64
MEAN	7.87	10.79	0.90	0.98	9.08	12.67	0.77	0.83	13.80	13.53	2.49	1.76	0.82	0.61
SD	2.27	1.73	0.24	0.16	2.82	2.00	0.21	0.12	3.52	2.23	0.87	0.29	0.20	0.15
CV	28.85	16.01	26.85	16.17	31.05	15.81	27.56	14.61	25.50	16.51	34.87	16.32	24.11	24.11
CAGR	0.052	0.074	0.040	0.068	0.067	0.070	0.057	0.065	0.056	0.076	-0.16	-0.01	-0.08	0.07

Source: Money Control and Department of Banking Supervision

The above Table-5 exhibits that the profitability and Liquidity analysis of Bank of Baroda in the pre and post merger periods. During the pre merger period net profit to net worth ratio shows the highest mean value of 13.80 followed by net profit to interest income ratio with the mean value of 9.08. Net profit to total asset ratio shows the lowest mean value of 0.77, net profit to net worth ratio shows the consistent in pre merger period and inconsistent in net profit to interest income ratio.

In post merger period the net profit to net worth ratio shows the highest mean value of 13.53 followed by net profit to interest income ratio with the mean value of 12.67. Net profit to total asset ratio shows the consistent in post merger period and inconsistent in net profit to net worth ratio. In liquidity analysis of Bank of Baroda in the pre and post merger periods the current ratio shows the highest mean value in the pre and post merger periods. The current ratio shows the consistent in post merger period. The liquidity position of bank of Baroda has increased more than during the pre merger period and it can be understood that more current assets would be earned and maximizes their liquidity from core business capacity because of mergers.

Test for Difference in Profitability and Liquidity Analysis of Bank of Baroda

$Ho_{2:}$ There is no significant difference in profitability and Liquidity analysis of Bank of Baroda between the pre and post merger periods.

Table-6: Difference on Profitability and Liquidity Analysis of Bank of Baroda Between the Pre and Post Merger Periods

Profitability Analysis						Liquidity Analysis	
Ratio	**NP to T Inc**	**NP to TD**	**NP to Int Inc**	**NP to TA**	**NP to NW**	**CR**	**ALR**
T value	-3.472	-1.038	-3.809	-0.971	0.261	1.924	1.476
Sig	0.026*	0.358	0.019*	0.387	0.807	1.476	0.214

Source: Computed Data *indicates statistical significance at 5 percent level

The Table-6 shows that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in net profit to total income ratio and net profit to interest income ratio between the pre and post merger periods of Bank of Baroda. In liquidity exhibits that t-value is not significant at 5 percent level. Hence, the null hypothesis was accepted. Therefore, it is concluded that there is no significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of Bank of Baroda.

The below Table-7 indicates that the profitability and Liquidity analysis of Punjab National Bank in the pre and post merger periods. During the pre merger period net profit to net worth ratio shows the highest mean value of 20.11 followed by net profit to interest income ratio with the mean value of 8.14. Net profit to total asset ratio shows the lowest mean value of 0.75. Net profit to total asset ratio shows the consistent in pre merger period and in consistent in net profit to total deposits ratio.

In post merger period the net profit to net worth ratio shows the highest mean value of 18.33 followed by net profit to interest income ratio with the mean value of 14.73. Net profit to total asset ratio shows the consistent in post merger period and inconsistent in net profit to net worth ratio. In liquidity analysis of Punjab National Bank in the pre and post merger periods the current ratio shows the highest mean value in the pre and post merger periods. The current ratio also shows the consistent in pre merger period and the absolute liquid ratio shows the consistent in post merger period.

Table-7: Profitability and Liquidity Analysis of Punjab National Bank in the Pre and Post Merger Periods

(In Percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	7.55	11.35	1.02	1.26	8.52	14.25	0.75	1.09	20.93	23.64	1.79	1.66	1.59	0.83
	7.06	13.67	0.93	1.37	7.96	16.67	0.74	1.12	20.10	17.97	1.72	1.55	1.52	0.78
	6.94	13.01	0.86	1.20	7.92	15.02	0.76	0.99	21.29	15.86	1.68	4.92	1.48	2.46
	6.87	11.96	0.82	1.10	7.81	13.35	0.73	0.95	19.73	15.19	1.51	1.54	1.33	1.22
	7.32	12.60	0.88	1.23	8.46	14.36	0.77	1.04	18.48	19.00	2.04	1.27	1.02	1.03
MEAN	7.15	12.52	0.90	1.23	8.14	14.73	0.75	1.04	20.11	18.33	1.75	2.19	1.39	1.26
SD	0.28	0.90	0.08	0.10	0.33	1.24	0.02	0.07	1.10	3.34	0.19	1.53	0.23	0.69
CV	3.94	7.20	8.56	7.80	4.06	8.39	2.47	6.62	5.47	18.24	11.12	70.01	16.24	54.71
CAGR	-0.006	0.021	-0.029	-0.005	-0.001	0.002	0.006	-0.009	-0.025	-0.043	0.03	-0.05	-0.08	0.04

Source: Money Control and Department of Banking Supervision

It is concluded that by the study period the liquidity position of Punjab National Bank has increased more than during the pre merger period and it can be understood that more current assets would be earned and maximizes their liquidity from core business capacity because of mergers.

Test for Difference in Profitability and Liquidity Analysis of Punjab National Bank

$Ho_{2:}$ There is no significant difference in profitability and Liquidity analysis of Punjab National Bank between the pre and post merger periods.

Table-8: Difference on Profitability and Liquidity Analysis of Punjab National Bank Between the Pre and Post Merger Periods

	Profitability Analysis					Liquidity Analysis	
Ratio	NP to T Inc	NP to TD	NP to Int Inc	NP to TA	NP to NW	CR	ALR
t-value	-11.223	-9.689	-11.092	-9.228	1.163	-0.617	0.571
Sig	0.000*	0.001*	0.000*	0.001*	0.309	0.390	0.761

Source: Computed Data *indicates statistical significance at 5 percent level

The Table 8 describes t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in net profit to total income ratio, net profit to total deposits ratio, net profit to interest income ratio, net profit to total assets ratio between the pre and post merger periods of Punjab National Bank. In liquidity analysis shows that t-value is not significant at 5 percent level. Hence, the null hypothesis was accepted. Therefore, it is concluded that there is no significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of Punjab National Bank.

Table-9: Profitability and Liquidity Analysis of IDBI Bank in the Pre and Post Merger Periods

(In percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	8.82	8.53	26.18	1.45	9.94	9.93	0.96	0.62	7.54	10.11	0.38	0.71	0.38	0.55
	5.91	7.46	12.54	1.00	6.41	9.09	0.64	0.57	6.34	10.73	0.30	0.85	0.30	0.65
	7.43	6.55	1.03	0.76	8.21	7.38	0.75	0.50	6.79	11.53	0.25	1.82	0.10	1.39
	6.94	5.85	1.20	0.61	8.34	6.75	0.89	0.45	9.78	12.53	0.34	1.82	0.15	1.73
	12.63	7.98	2.75	0.91	15.65	8.90	0.51	0.66	7.01	13.02	0.55	3.07	0.23	2.90
MEAN	8.35	7.27	8.74	0.95	9.71	8.41	0.75	0.56	7.49	11.58	0.36	1.65	0.23	1.45
SD	2.61	1.08	10.85	0.32	3.55	1.31	0.18	0.09	1.35	1.21	0.11	0.95	0.11	0.95
CV	31.30	14.81	124.14	33.50	36.53	15.54	24.56	15.29	18.06	10.47	31.16	57.43	48.73	65.76
CAGR	0.075	-0.013	-0.363	-0.089	0.095	-0.022	-0.119	0.012	-0.015	0.052	0.08	0.34	-0.10	0.39

Source: Money Control and Department of Banking Supervision

The above Table-9 examines that the profitability and Liquidity analysis of IDBI Bank in the pre and post merger periods. During the pre merger period net profit to interest income ratio shows the highest mean value of 9.71 followed by net profit to total deposit ratio with the mean value of 8.74. Net profit to total asset ratio shows the lowest mean value of 0.75. Net profit to net worth ratio shows the consistent in pre merger period and in consistent in net profit to total deposits ratio.

In post merger period the net profit to net worth ratio shows the highest mean value of 11.58 followed by net profit to interest income ratio with the mean value of 8.41. Net profit to net worth ratio shows the consistent in post merger period and inconsistent in net profit to total deposits ratio. In liquidity analysis of IDBI Bank in the pre and post merger periods the current ratio shows the highest mean value in the pre and post merger periods. The ratio also shows the consistent in pre and post merger periods. It is concluded that by the study period the liquidity position of IDBI bank has increased more during the pre merger period and it can be understood that more current assets would be earned and maximizes their liquidity from core business capacity because of mergers.

Test for Difference in Profitability and Liquidity Analysis of IDBI Bank

$Ho_{2:}$ There is no significant difference in profitability and Liquidity analysis of IDBI Bank between the pre and post merger periods.

Table-10: Difference on Profitability and Liquidity Analysis of IDBI Bank Between the Pre and Post Merger Periods

Profitability Analysis						Liquidity Analysis	
Ratio	NP to T Inc	NP to TD	NP to Int Inc	NP to TA	NP to NW	CR	ALR
t-value	1.063	1.653	0.843	1.817	-6.350	-3.278	-2.678
Sig	0.348	0.174	0.400	0.143	0.003*	0.031*	0.050*

Source: Computed Data *indicates statistical significance at 5 percent level

The Table-10 indicates that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in only net profit to net worth ratio between the pre and post merger periods of IDBI Bank. In liquidity analysis describes that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of IDBI Bank.

Table-11: Profitability and Liquidity Analysis of Oriental Bank of Commerce in the Pre and Post Merger Periods

(In Percentage) (In Ratio)

	Profitability Analysis										Liquidity Analysis			
	NP to T Inc		NP to TD		NP to Int Inc		NP to TA		NP to NW		CR		ALR	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
	9.60	18.93	1.39	1.52	10.80	20.33	0.99	1.34	16.99	21.82	4.92	3.49	4.37	2.98
	10.40	12.64	1.26	1.11	11.33	13.53	1.14	0.95	19.51	10.78	5.23	2.05	4.52	1.58
	6.68	10.50	0.82	0.91	7.35	11.25	0.75	0.79	13.10	10.37	4.30	2.02	3.29	1.44
	9.05	5.06	1.13	0.45	10.54	5.17	0.99	0.39	19.79	6.12	2.17	1.95	1.53	1.40
	11.83	9.12	1.53	0.92	13.87	10.22	1.34	0.81	21.66	14.03	1.94	2.01	1.45	1.13
MEAN	9.51	11.25	1.23	0.98	10.78	12.10	1.04	0.85	18.21	12.62	3.71	2.30	3.03	1.71
SD	1.90	5.11	0.27	0.38	2.33	5.52	0.22	0.34	3.31	5.86	1.55	0.66	1.48	0.73
CV	19.95	45.39	22.20	39.17	21.58	45.66	20.99	40.08	18.15	46.44	41.85	28.73	48.91	42.88
CAGR	0.043	-0.136	0.019	-0.095	0.051	-0.128	0.064	-0.096	0.050	-0.085	-0.17	-0.10	-0.20	-0.18

Source: Money Control and Department of Banking Supervision

The above Table-11 portrays that the profitability and Liquidity analysis of Oriental Bank of Commerce in the pre and post merger periods. During the pre merger period net profit net worth ratio shows the highest mean value of 18.21 followed by net profit to interest income ratio with the mean value of 10.78. Net profit to total asset ratio shows the lowest mean value of 1.04. Net profit to net worth ratio shows the consistent in pre merger period and inconsistent in net profit to total deposits ratio.

In post merger period the net profit to net worth ratio shows the highest mean value of 12.62 followed by net profit to total income ratio with the mean value of 11.25. Net profit to total assets ratio shows the consistent in post merger period and inconsistent in net profit to net worth ratio. In liquidity analysis of Oriental Bank of Commerce in the pre and post merger periods the current ratio shows the highest mean value in the pre merger period. The ratio also shows the consistent in both pre and post merger period. It is concluded that by the study period of Oriental Bank of Commerce the liquidity position has decreased more than during the pre merger period and it may concentrate to increase their liquidity position.

Test for Difference in Profitability and Liquidity Analysis of Oriental Bank of Commerce

$Ho_{2:}$ There is no significant difference in profitability and Liquidity analysis of Oriental Bank of Commerce between the pre and post merger periods.

Table-12: Difference on Profitability and Liquidity Analysis of Oriental Bank of Commerce Between the Pre and Post Merger Periods

Profitability Analysis						Liquidity Analysis	
Ratio	NP to T Inc	NP to TD	NP to Int Inc	NP to TA	NP to NW	CR	ALR
T value	0.817	0.889	0.933	0.832	2.168	2.828	2.670
Sig	0.464	0.424	0.403	0.452	0.096	0.042*	0.043*

Source: Computed Data *indicates statistical significance at 5 percent level

The Table-12 shows that t-value is not significant at 5 percent level. Hence, the null hypothesis was accepted. Therefore, it is concluded that there is no significance difference in net profit to total income ratio, net profit to total deposits ratio, net profit to interest income ratio, net profit to total assets ratio and net profit to net worth ratio between the pre and post merger periods of Oriental Bank of Commerce. In liquidity analysis indicates that t-value is significant at 5 percent level. Hence, the null hypothesis was rejected. Therefore, it is concluded that there is significance difference in current ratio and absolute liquid ratio between the pre and post merger periods of Oriental Bank of Commerce.

Suggestions

- From the study, after merger of select public sector banks in India they earned more profit, at the same time in relation to the total income they made only a slight change. So, the banks should concentrate to increase their total income.
- The banks should improve their net interest income by maximizing the loans and advances through optimum utilization of funds.

Conclusion

The banking industry has been undergoing major mergers in recent years with a number of global players emerging through successive mergers. The present study indicates that during the study period profitability and liquidity positions showed a positive growth of select public sector banks except State Bank of India. The impacts of mergers were examined to establish the extent to which the benefits accrue as a viable factor in enhancing the bank performance. This study identified the areas of improvement for volume of the business, better profitability and liquidity performance for this select public sector banks in India.

References

Okpanachi Joshva (2011). Comparative analysis of the impact of mergers and acquisitions on financial efficiency of Banks in Nigeria, *Journal of Accounting and Taxation*, 3(11), pp:1-7.

Omah, I., Okelie, J.U. & Durowoju S.T.(2013). Merger and Acquisitions: Effects on shareholders' value evidence from Nigeria, *International Journal of Humanities and Social Sciences*, 3(6).

Onaolopa Adekunfe., Abdul Rahman.& Ajalaoladayo Ayorindo(2013). Post Merger Performance of select Nigerian Deposit Money banks- an Econometric prospective, *International Journal of Management Science and Business Research*, 2(8).

Pardeep G Kaur & Gian Kaur(2010). Impact of Mergers on the Cost Efficiency of Indian commercial banks, *Euraisian Journal of Business and Economics*, 3(5), pp:27-50.

Pradeep Kumar Gupta(n.d.). Mergers and acquisitions: the Strategic concepts for the nuptials of corporate sector, *Innovative Journal of Business and Management*, pp:60-68.

Qamar Abbas, *et. al*., (2014). Analysis of Pre and Post Merger and Acquisition on Financial Performance of Banks in Pakistan, *Information Management and Business Review*, 6(4), pp:177-190.

Rehana Kouser & Irum Saba (2011). Effects of Business Combination on Financial Performance: Evidence from Pakistan's Banking sector, Australian Journal of Business and Management Research, 1(8), pp:54-64.

Ricardo Correa (2008). Cross Border Bank Acquisitions: is there a performance effect, Board of Governors Federal Reserve System,.

Saibu M.O.(2004). The Impact of Merger and Acquisition on Financial Intermediation: Evidence from Nigerian Banking Industry, *Journal of Applied Econometrics and Quantitative Techniques*, Vol.1-4.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.15-31

Causes of Corruption and Its Effect on Public Service Delivery: The Case of Mekane Eyesus Town Administration Urban Development and Construction Office, Amhara National Regional State

Wondimnew Kindu Wubneh[1] and **Santap Sanhari Mishra**[2]

The interaction between citizens and the government is done through service delivery with the aim of fulfilling the needs and expectations of the public. Contrary to this, corruption affects unkindly the public service delivery. This study was intended to assess the major causes of corruption and its effect on public service delivery in the case of Mekane Eyesus town administration Urban Development and Construction Office, Amhara National Regional State. The study has used descriptive research design and mixed (quantitative and qualitative) research approaches. Simple random sampling and purposive sampling methods was applied to select respondents. The data were gathered through structured and semi-structured questionnaires, Focus Group Discussion (FGD), key Informant Interviews and document reviews. Kruskal-Wallis test was employed to compare statistical significance difference of respondents based on their work experience. The key finding of this study shows that corruption in the study area is caused by bad example of higher officials, weak penal mechanism of corrupters, lack of transparency; and tradition of corruptive practices in the office. In addition, nepotism, embezzlement and bribery are the major forms of corruption that manifested highly in the office. Moreover, the findings indicated that corruption negatively influences the public service delivery. It creates lack of government trust and grumbling, discrimination between customers, service delays and inefficiency, political instability, aggravates poverty and hence, lags behind the journey of development. Finally, the study suggests some possible recommendations to avoid the causes of corruption and minimize its effect on public service delivery.

Keywords
Public Service Delivery, Corruption, Amhara National Regional State

Introduction

Public service delivery refers to imply tangible and intangible goods and services provided by government institutions aimed at satisfying the needs of the people which ensures the well-being of society (Kayode *et. al.,* 2013). It also implies the systematic arrangement of activities in service giving institutions with aim of fulfilling the needs and the expectation of the public with the optimum use of scarce resources. Across the world, public sector organizations are responsible for providing essential goods and services for the benefit of the citizens of their countries through public servants who are there to serve the public interest. The Ethiopian civil service has had a tradition and experience of

1 Vice department head of South Gondor Zone Trade, Industry and Market Development, Amhara National Regional State, Ethiopia and can be reached at wondie1977@gmail.com.
2 Associate Professor at Institute of Leadership and Good Governance (ILG) of Ethiopian Civil Service University (ECSU), Addis Ababa, Ethiopia and can be reached at: santap.mishra@gmail.com

serving various governments for more than a century. Unfortunately, the idea that the civil service exists to serve the public interest was neglected and/or misunderstood in Ethiopian public institutions. Among the numerous challenges that the government faced, corruption is increasingly seen as a pivotal issue to fight consistently in public institutions (CSTRC, 2013).

Mekane Eyesus town administration in Ethiopia is a recently established local government and its residences lack some of the basic necessities of life. The annual report of Mekane Eyesu Urban Development and Construction Office (2015) revealed that the public service delivery of the office is inefficient, slow and not as per the expectation of the customers. The report lists a few causes for the poor public service delivery of the office like unreasonable frequent appointment of customers and delayed decisions. However, the report didn't address the causes of corruption and its effect on public service delivery. It motivated the researcher to uncover the causes, forms, and effects of corruption on public service delivery in Mekane Eyesus town Urban Development and Construction Office.

Statement of the Problem & Literature Review

The cost of corruption on public service delivery in the world is high and increasing from time to time. Various studies have tried to estimate its cost at different time in their studies of corruption. According to the World Bank, the worldwide cost of corruption is around 1.5 trillion dollars per year that is 5% of the global GDP in the global economy of 30 trillion dollars (Gray & Kaufmann, 1988). As of now, it must be much more.

Particularly, coming to Africa, the direct and indirect costs of corruption is around 20- 25% of its total GDP (ADB, 2003). Such considerable amount of money which is snapped from the throat of many poor African peoples who are highly eager to have access to primary education, health facilities, access to clean water supply and rural road but went to the pockets of corrupt government officials and individuals through the act of bribery, favoritism, embezzlement, fraud, nepotism and smuggling.

Corruption is found in the service of award of contracts, registration & distribution of lands, promotion of staff, and dispensation of justice, misuse of public offices, position and privileges', embezzlement of public funds and dissemination of valuable security information. As it is declared by Federal Ethics & Anti-Corruption Commission of Corruption Prevention & Research Department of Ethiopia (FEACC) "Fraud, trickery, embezzlement, extortion, nepotism and theft are believed to be the principal features by which corruption has manifested in Ethiopia" (http://www.feac.gov.et). The magnitude of corruption in Ethiopian context can be revealed from the ranking in corruption index. According to Transparency International, in its measurement of corruption perception index, Ethiopia has scored in between 29-35 from 168 countries for the last six consecutive years (2012-2017) based on a scale from 100 (very clean) to 0 (highly corrupt).

Most empirical studies of corruption in Ethiopia focus on to assess the prevalence of corruption and effectiveness of corruption preventive mechanisms at the national level. There are limited studies that have formally investigated the causes of poor service delivery and the strategies that can be implemented to improve the service delivery in local authorities. But, they didn't critically assess the causes of corruption and its effects on public service delivery (especially in local Municipalities). Therefore, this requires local assessment to investigate the actual causes of corruption and its effect on public service delivery in Mekane Eyesus town administration UDCO.

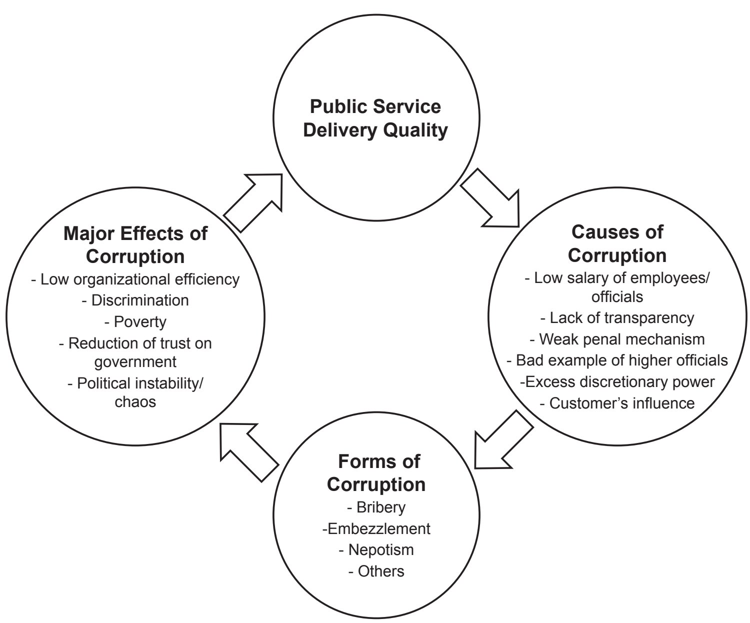
Tafere & Narayana (2015) studied civil service in Amhara National Regional State and indicated that corruption is one of the characteristics of civil service/public service in Amhara National Regional State. But, the researchers didn't identify the causes of corruption and its effects on public service delivery. Therefore this study is focused on assessing the major causes of corruption and its effect on public service delivery in Mekane Eyesus UDCO.

According to Mekane Eyesu Urban Development and Construction Office annual report (2015), delay and inefficiency to provide public services are the common characteristics of the office. The public service in the study area is seen by customers as very slow, inefficient, bureaucratic, and the service providers are incompetent and unresponsive. Customers often complain that the Urban Development and Construction Office services are inadequate, inferior, or too costly for the provision of goods and services they required. And also, the public servants in the office are perceived as acting in their own interests rather than responding to the needs of the dwellers and implementing the regional urban land administration rule and regulations (Annual evaluation report, 2015).

In the town administration, more than any times before, urban dwellers are pressing the town administration, particularly the Urban Development and Construction Office, claiming the right to get fast and quality public service in the public organization. In authors' view, it is, therefore, imperative to adequately assess the causes of corruption and its effect on public service delivery to ensure that quality and efficient service in the study area.

When conducting this study, the researcher had two variables - dependent and independent variables. The dependent variable in this study is public service delivery. Public service delivery as the dependent variable is defined as the quality, efficiency, effectiveness, and equal accessibility of public services to satisfy the needs of the people. The overall quality of public service delivery depends on and/or influenced by the independent variable. The independent variable is corruption. Corruption as an independent variable is defined as the dishonest exercise of official functions by public officials. In this research, corruption, which can be manifested in different forms, had an adverse effect on the provision of public service in the organization. Accordingly, the conceptual framework has been depicted below to guide the whole study.

Figure-1: Conceptual Framework



Source: The Researchers, 2017

Research Objectives

The general objective of this study was to assess the major causes of corruption and its effect on public service delivery in Mekane Eyesus Town Administration Urban Development and

Construction Office. Specifically this research attempts:

- To identify the causes of corruption
- To assess the major forms of corruption that manifests mostly in Mekane Eyesus town administration UDCO
- To know Employees' Perception on the prevalence of corruption, the way of corruption agreement carried out and causes of corruption by Work experience.
- To study the major effects of corruption on the public service delivery

Research Questions

To fulfil the above mentioned objectives, the study imposed some research questions like

- What are the causes of corruption in the study area?
- What are the major forms of corruption that manifests mostly in the UDCO?
- What are the differences in perception about the prevalence of corruption, way of corruption agreement and causes by work experience?
- What are the major effects of corruption on public service delivery?

Scope and Significances of the Study

The study is geographically limited to Mekane Eyesus town administration Urban Development and Construction Office only. Thematically, to concentrate the entire researchers' capacity on the causes of corruption & its effect on public service delivery, this study didn't address the factors that hamper public service delivery other than corruption. Because, according to the annual report of the office (2015), public service delivery is being also affected by financial constraint, shortage of employees, lack of clear land management laws, insufficient office equipment and lack of necessary skills.

Although this study is in the case of Mekane Eyesus town Urban Development and Construction Office in Amhara National Regional State, the researchers believe that this research may also be insightful to other local authorities in terms of understanding the practical causes of corruption and its effect on public service delivery. Finally, the findings of this study can be applicable to the managers, employees, and customers of Mekane Eyesus town administration Urban Development and Construction Office. This study could serve as an insight for the modifications of plans and policies for further development regarding public service delivery. Policy makers can get some clues to modify, revise, and design different policies, strategies, and initiatives to improve public service delivery based on recommendations and suggestions given by the researcher. Whether they pay or receive in a corrupted manner, ultimately societies will adversely cost from the illicit acts. Therefore, the study findings could help the society to understand the effect of corruption on public service delivery and initiates to fight corruption. It could serve as a springboard for future researchers who are motivated in conducting further studies on the causes of corruption and its effect on public service delivery.

Research Methodology

Description of the Study Area

Mekane Eyesus town administration is located in the Eastern part of the regional capital city Bahir Dar of Amhara state, Ethiopia. The town administration was established in December, 2010. Mekane Eyesus UDCO is one of the essential service provider public organizations in the town administration.

Research Design and Approach

To achieve the research objectives the researcher has employed a mixed research approach. Thus, in this study, the descriptive survey method was used to describe record, analyses and interpret the current causes of corruption and its effect on public service delivery in Mekane Eyesus UDCO based on the opinions of the respondents.

Population

The target populations of this study have constituted as managers, employees, council speakers, and households (customers) of Mekane Eyesus town administration UDCO. Based on the information that the researcher obtained from Mekane Eyesus town administration UDCO, the total number of managers (from the office & kebeles), employees, council speakers and customers are 6, 32, 3 and 4947 respectively.

Sample Frame

The sample frame of the study constitutes the managers (from the office & kebeles), employees, council speakers and households of Mekane Eyesus town Urban Development and Construction Office.

Sampling Unit

The sampling units used in this study was the managers who follow up the overall activities of Urban Development and Construction Office, employees who provides service in the office, speakers who represents the council members and the households who needs efficient and quality service in the office. Based on this, the sampling units of this study have contained 6 managers, 32 employees, 3 speakers, and 162 customers.

Sampling Techniques

In this study, the researcher has employed both the probability and non-probability sampling techniques. Simple random probability sampling was employed to select the respondents from the list of customers for the questionnaire due to their homogeneous characteristics. Regarding the managers, employees and speakers the researcher has applied non-probability sampling for the interview, questionnaire, and focus group discussion (FGD) respectively.

Sample Size

To determine the sample size for quantitative study, different authors use different formula. For the purpose of this study, the researcher used the formula set by Kothari, calculated as follows. Considering the level of acceptable margins of error at 7%, the sample size will be determined by using the following formulas.

If N > 10,000, then the sample size is calculated by the formula n= $\frac{z2pq}{d2}$; and

If N < 10,000, then the sample size is calculated by the formula n= $\frac{n}{(1+\frac{n}{N})}$, where

N = Target population

n = Desired sample size

z = Confidence level (93%= standard normal value is 1.812)

p = Estimated characteristics of study population (0.5)

q = 1-p

d = level of statistical significance set or margin of error (1-0.93 = 0.07)

Hence, assuming that the size of the population in the study area is > 10,000, the sample size of the study will be:

n=$\frac{z2pq}{d2}$ where z= 1.812, p=0.5, q=1-0.5, d=0.07

$$\frac{(1.812)^2\,(0.5)(0.5)}{(0.07)^2} = \frac{3.283344x0.25}{0.0049} = 168$$

n= 168 for N is > 10,000, 93% confidence level and 7% margin of error.

However, since the total population (customers) of the study area is 4947 which is less than 10,000, the sample size using 93% level of confidence was:

$fn = \frac{n}{(1+\frac{n}{N})}$, therefore, N= 4947 and n = 168; then, the sample size is calculated as:

$$fn = \frac{168}{1+\left(\frac{168}{4947}\right)} = \frac{168}{1+0.033959976} = \frac{168}{1.033959976} = 162$$

Therefore, 162 customers and 32 employees were taken to get the desired quantitative data through questionnaire. Thus, the researcher believes that with a 93% level of confidence and 7% margin of error, 162 customers and 32 were considered as a representative sample size of the population. These 162 households were selected in simple random mechanism from the list of customers in the office.

As it is clearly stated earlier, the researchers applied non-probability sampling technique for the interviewees. Hence, the researcher took directly 3 office managers for interview. Face-to-face interview was held with the office managers because it is a useful technique for obtaining individuals' impressions and concerns about the effects of corruption on public service delivery in the study area (Geoffrey *et. al.,* 2005). In addition, the researchers used purposive sampling method to select respondents for FGD. These respondents were 3 kebele managers and 3 kebele council speakers. This is because; the researchers believe that they have better knowledge about effects of corruption on public service delivery. The researchers have prepared guiding questions and recorded participants' response manually for both the interview and FGD. Totally, the sample size of this study included questionnaire respondents, interviewees and FGD participants were 203.

Data Sources and Collection Instruments

In the attempt to address the causes of corruption and its effect on public service delivery and to provide possible recommendations, both primary and secondary sources of data were used to gather reliable and valid information. This was done to enhance the minimization of bias and reduce the subjectivity of the research findings. Primary data sources were collected from managers, employees, speakers and customers. The data was collected from March, 2017 to May, 2017. For this purpose, the researchers has prepared close and open-ended questionnaires, and semi-structured interviews and FGD to collect their attitude about the causes, forms and effects of corruption on public service delivery in Mekane Eyesus town Urban Development Office. Both close and open-ended questionnaires were prepared in English language and translated into Amharic (regional language) version by an expert and cross checked with the English version. In this respect, using both types of questionnaires had the advantage of collecting information from different perspectives. From the sample result, the researchers have generalized about the population and analyze the findings in statistical procedures. The questionnaires were pre-tested on 10 households and 5 employees and some confused questions were modified as a result of the pilot study.

Secondary data sources were all the appropriate data that helps to assess the causes of corruption and its effect on public service delivery in the study area. It includes authorized documents and different reports, manuals, proclamations, regulations, minutes, suggestion books, letters, and other related documents which can be used to ensure the accuracy and validity of findings.

Data Analysis Techniques

Quantitative data collected through questionnaires from both samples of employees and customers was fed into the Statistical Package for Social Science (SPSS) Version 23 software. Frequency distributions and percentages for selected variables were calculated as required. KrusKal-Wallis test was applied to determine any significant differences in the perceptions and attitudes of respondents by their work experience and education status. Qualitative data gathered through an open-ended interview and focus group discussion were transcribed, coded and categorized. The categorized data were enrolled under thematic areas and presented in narrative form. To further enrich and enhance the information collected, the qualitative data were analyzed and triangulated with the quantitative data. For data reliability and validity, cronbach's alpha test has also been conducted.

Results and Discussion

For this study, a total of 162 and 32 questionnaires were distributed to customers and employees of Mekane Eyesus UDCO respectively. From these questionnaires, 159 of customers and 32 of employees' questionnaires were returned and used for the entire analysis to assess the major causes of corruption and its effect on public service delivery in the case of Mekane Eyesus town administration UDCO. On the other hand, qualitative data were collected from kebele managers and council speakers through interview and FGD by using standardized open-ended questions. The interview was held with 3 managers and the FGD with 3 kebele managers and 3 council speakers. The respondents were selected purposively who can give more reliable information to assess the effects of corruption on public service delivery in the case of Mekane Eyesus town administration UDCO. Cronbach Alpha Reliability Statistics was used to confirm the reliability of the instruments. Therefore, the coefficients of reliability of items measuring all variables are found to be cronbach's alpha $\alpha = 0.83$ and 0.79. Hence, the instrument can be accepted as reliable because the reliability coefficient, alpha > 0.6. This statistics was used to test the internal consistency of responses for variables.

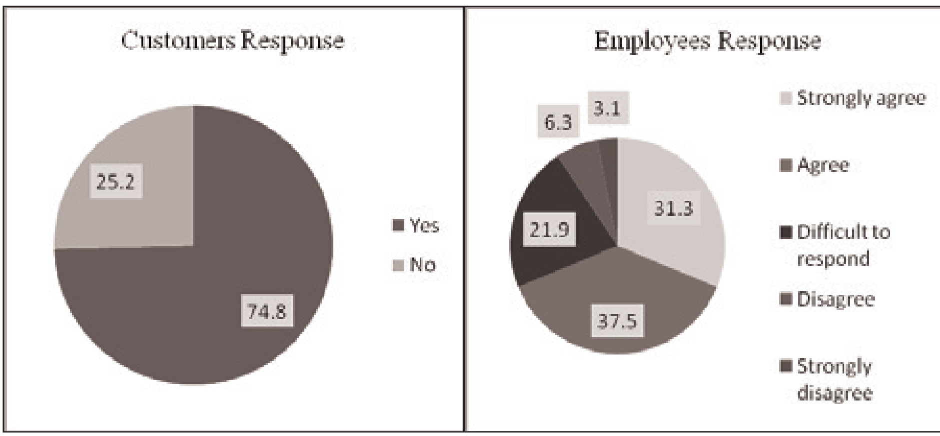
Table-1: Instrument Reliability

Label	No. of items	Cronbach Alpha Result	Meaning
Public service delivery	13	0.83	Reliable
Corruption	13	0.79	Reliable

(Source: Field Survey, 2017)

Both the customers and employees agree about the prevalence of corruption in Mekane-Eyesus town UDCO as mentioned in the pie chart below (Fig.2).

Figure-2: Prevalence of Corruption in Mekane Eyesus town UDCO



Source: Field survey, 2017

Qualitative corroboration – Similarly, data obtained from key informants through interview shows consistent idea with the above findings. The interviewees stated that the office is responsible to provide land and infrastructure related public services which have been identified as a source of corruption by the government. It implies that, they agreed that, regardless of its level, corruption is prevailed in the public service of the office.

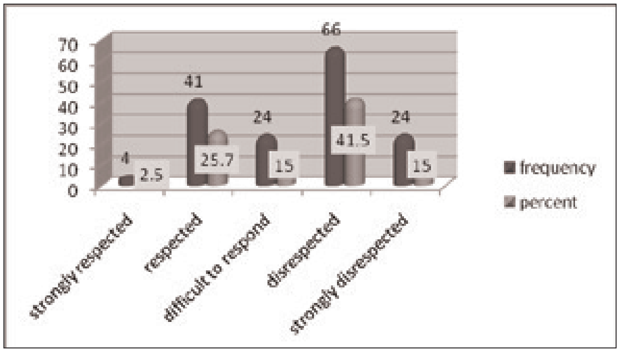
Additionally, FGD participants noted that corruption is obvious in the office. They added that "*getting quick service in the office seems impossible without "speed money".* From the above quantitative and qualitative data results, one can generalize that corruption is clearly noticeable in Mekane Eyesus town administration UDCO.

Besides, the office documented the actual findings of corruption in 2016/17 semi-annual years. As it is indicated in the document, 130,000 cobblestones (in current price estimated 130,000*2.7 Birr = 351,000 birr) were cheated by lapidariests and a considerable amount of construction wood was embezzled/theft by daily workers. Based on the document, corruption is obviously outfaced and that hinders the provision of goods and services in the office.

Research Objective – One

To analyze in line with the causes of corruption, 159 customer respondents were requested to suggest their perception about customers' respect in Mekane Eyesus town UDCO.

Figure-3: Respect for Customers in UDCO



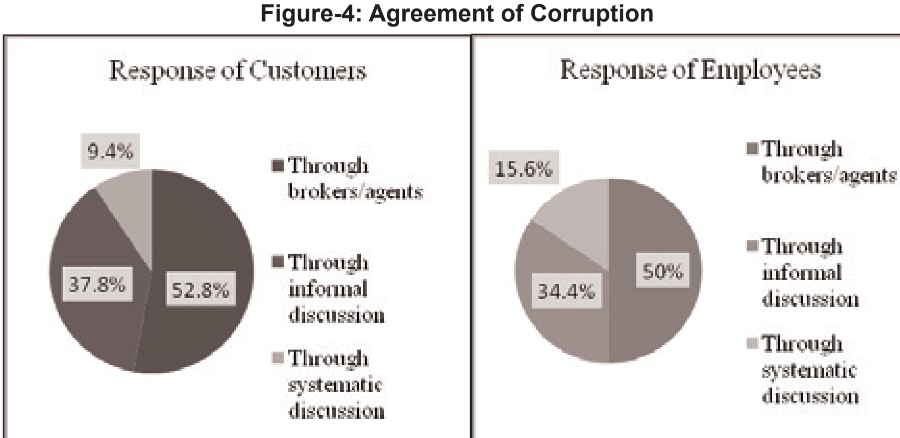
Source: Field Survey, 2017

As it is shown in the above Figure-3, the mass number of customer respondents i.e. 41.5% (66) replied as customers in the office are disrespected and 15% (24) responded as customers in the office are strongly disrespected. Whereas, the remaining 25.7% (41) and 2.5% (4) believed that customers in the office are respected and strongly respected respectively. The rest few 15% (24) respondents couldn't respond the question. This finding indicates that customers in the office are not respected.

Qualitative corroboration - Contrary, in document review, the office used a motto in their letter as "our customers are our kings!" The data obtained from FGD indicates that the service delivery of the office is biased to the rich (a person with white dressing). Here, we can generalize that customers' disrespect can be a symptom of corruption because unless they pay corruption, they may not be respected. This finding is directly related with one of the problems and drawbacks of Ethiopian public service identified in FDRE policy document as there is "insufficient recognition that citizens have rights to receive services from the government" (FDRE-Doc 1, 2001).

One of the peculiar questions has come to the mind of researchers to know how corruption is carried out. This question was distributed to both customers and employees respondents. Its intention was to understand how the way that corruption agreement is carried out in the office.

Figure-4: Agreement of Corruption



Source: Field Survey, 2017

As shown in Figure-4, more than half 52.8% (84) of customer respondents revealed that corruption in the office is carried out through brokers/agents where as 37.8% (60) respondents revealed that corruption carried out through informal discussion between officials & customers. Similarly, half of employees respondent 50% (16) agreed that corruption in the office is carried out through brokers/agents and 34.4% (11) employee respondents revealed that corruption carried out through informal discussion between officials & customers. Based on the data obtained from both respondents, we can infer that the act of corruption in UDCO is mainly carried out through brokers/agents which highly increase the cost of corruption in the study area.

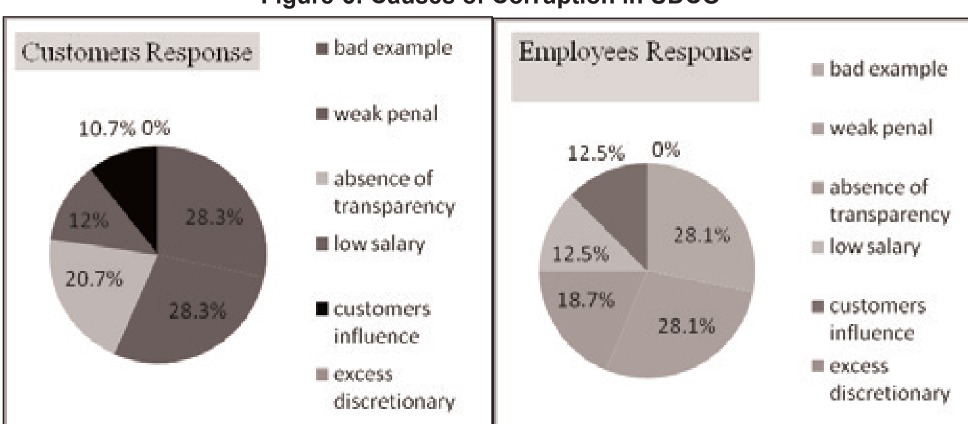
Qualitative corroboration - In the same way, the data obtained from key informant's interview revealed that:

"*The main actors in the act of corruption are brokers*". They added that "*brokers serve as a bridge to connect service providers and service takers but not in person. Brokers only take the case and deal with the concerned body to accomplish the interest of both parties*".

As the result shows, it is possible to infer that corruption in Mekane Eyesus town UDCO is mainly carried out through brokers/agents. Additionally, 159 customer respondents were asked to answer whether they had ever participated in by giving corruption or being an agent. Out of this total, 79.2% (126) say they have never participated in by giving corruption or being an agent. It indicates that majority of the customers were not participated by giving corruption or being an agent. The rest few 20.8% (33) respondents have participated in by giving corruption or being an agent.

Then the researchers moved to know the objective one, i.e. causes of corruption. Corruption in the public service can be caused by different factors. In different literatures; low salary of officials/employees, absence of transparency, weak penal mechanism, customers influence, bad example of higher officials, excess discretion power are considered as the major causes of corruption. In this study, the major causes of corruption were identified in respect to public service delivery in UDCO.

Figure-5: Causes of Corruption in UDCO



Source: Field Survey, 2017

In the above Figure-5 of customers response shows that, the major causes of corruption are bad example of higher officials and weak penal mechanism of corrupters in the office. In both cases 45 customer respondents (28.3%) have opined positively. Majority of employees 28.1% (9), for both causes, also responded that these two causes as the major ones. It is clear that, if individuals see others around them benefiting from corruption, they may well choose to indulge too. Therefore, bad example of higher officials lead employees who work in a position that can take bribes and don't use their chance will be considered by the community as foolish men that influence them to be corrupted. On the other hand, weak penal mechanism in the office creates number of potential corrupters. Due to its unique characteristics, corruption is extremely difficult to detect, investigate, prosecute and take legal action. Corruption mostly, if not always, involves more than one person. The co-operation is mainly: between superior and subordinate, or between the decision-maker and the decision receiver. These are the ones who know the secret but both are criminals in the eyes of the law. So they keep the secret for their own sake.

In addition, based on the above Figure-5, 20.7% (33) customer respondents identified absence of transparency, 12% (19) low salary of employees/officials and 10.7% (17) customers influence as other causes of corruption in the office. And, employee respondents also revealed that 18.7% (6) absence of transparency, 12.5% (4) low salary of employees/officials and 12.5% (4) customers influence causes of corruption in the office. It shows that, increase or decrease the salary level of employees/officials doesn't matter to combat corruption in the UDCO. Not a single respondent opined that excess discretionary power of officials/employees as a cause of corruption. It implies that in the views of respondents, excess discretionary power of officials/employees can't be the cause of corruption in the study area.

Bottelier (1998) opined that, poor salary of employees and bad example of senior government officials or political leaders are among the causes of corruption in public service. However, the finding of this study revealed that all employees are corrupted irrespective of their level of salary. It implies that, the driving forces that propel corruption in the office can be seen from their greed desires. Therefore, the amount of salary can't be the best solution to reduce corruption in Mekane Eyesus UDCO.

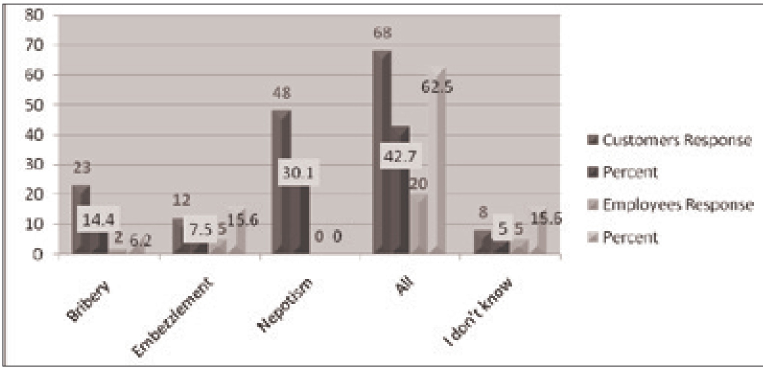
Qualitative corroboration - Likewise, the data obtained from FGD participants showed that bad example of higher officials, weak penal mechanism of corrupters, absence of transparency; and tradition of corruptive acts in the office as the major causes of corruption in the office. Therefore, based on the data, one can summarize that bad model of higher officials, weak penal mechanism of corrupters, tradition of corruptive acts and lack of transparency are the main causes of corruption in Mekane Eyesus town administration UDCO. Tesfaye (2007), by his study of "Anti Corruption Efforts in Ethiopia", identified that weak penal mechanism of corrupters and lack of transparency as causes of corruption for those unethical politicians and public employees which is compatible with the above findings.

Moreover, the key informants agreed that weak penal mechanism, bad example of higher officials and tradition of corruption in the office as the major causes of corruption. The result indicates that they agreed on weak penal mechanism as one of the main causes of corruption. Weak penal mechanism of corrupt individuals may create conducive environment to seen corruption as a tradition in the office. It implies that tradition of corruption emanates from weak penal mechanism of corrupters.

Research Objective – Two

The next objective for the researchers was to know various forms of corruption. Scores of literatures mention about various forms of corruption. According to Amundsen (1999), the main forms or patterns of corruption are bribery, embezzlement, fraud, extortion, and nepotism. Accordingly, among the three dominant forms (bribery, embezzlement, and nepotism), the researcher was interested to assess the major forms of corruption that manifested mostly in the office.

Figure-6: Major Forms of Corruption



Source: Field Survey, 2017

Hence the researchers here focused upon four forms, i.e. bribery, embezzlement, nepotism and the last one is a combination of all.

As indicated in the above Figure-6, customer respondents replied that principally all three forms of corruption 42.7% (68) are manifested in the office. But, exceptionally, nepotism 30.1% (48) has a dominant ratio than the other two forms i.e. bribery & embezzlement. It implies that nepotism "The blood is thicker than water" syndrome manifested in the office vastly which may adversely affect the public service delivery of the office. While, majority of employee respondents 62.5% (20) opined that all three forms of corruption are manifested in the office. The data from customer respondents also shows that bribery 14.4% (23) and embezzlement 7.5% (12) manifested in the office. Very few respondents 5% (8) replied as they didn't know which form of corruption manifested mostly in the office. Likewise, the data obtained from employees revealed that embezzlement 15.6% (5) and bribery 6.2% (2) manifested in the office. But, some employee respondents 15.6% (5) replied as they didn't know which form of corruption manifested mostly in their office. The data shows that both customers and employees agreed as all three forms of corruption are manifested in the office.

Qualitative corroboration - Similarly, interviewees revealed that nepotism is dominantly manifested in the office. But, they have different perception on bribery and embezzlement. Two interviewees said embezzlement manifests mostly in the office followed by nepotism. Whereas, one interviewee beliefs bribery as the second dominant form of corruption followed by nepotism. Here, one can generalize that all three forms of corruption manifests in the office and nepotism is the dominant one.

Furthermore, FGD participants agreed that all three forms of corruption existed in the office and nepotism is the major one. They also agreed embezzlement and bribery manifested in the office secondly and thirdly in their order. Based on all the above data, it is possible to generalize that all three forms of corruption are manifested in the office and nepotism is the most dominant one. Consistently with this finding, nepotism and embezzlement are identified as the two principal features of corruption in Ethiopia identified by Federal Ethics & Anti-Corruption Commission of Corruption Prevention & Research Department of Ethiopia (http://www.feac.gov.et).

Research Objective – Three

The researchers wanted to know the difference in employees' perception on the basis of work experiences towards prevalence of corruption, causes and corruption agreements. Accordingly Kruskal – wallis test was conducted to know the differences.

Table-2: Kruskal-Wallis Test of Employees' Perception on the prevalence of corruption the way of corruption agreement carried out and causes of corruption by Work experience

Items	Work experience						Chi-square	df	p-value
	< 3 yrs	3-6 yrs	7-10 yrs	11-14 yrs	>15 yrs	N			
Corruption Prevalence	16	12	2	1	1	32	3.691	3	.685
How corruption is carried out	16	12	2	1	1	32	3.692	3	.42
Causes of corruption	16	12	2	1	1	32	5.860	3	.54

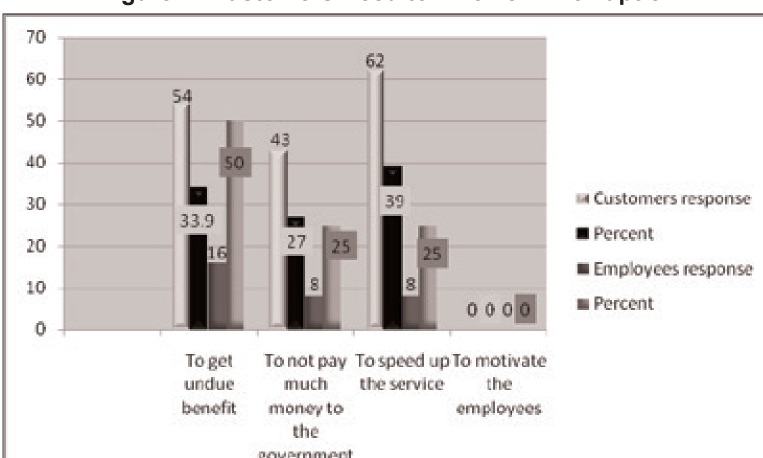
Source: Field Survey, 2017

Though they have different work experiences, the result of Kruskal – Wallis indicated that there is no statistically significant difference (p-value = 0.685, & 0.54, p>0.05) among employees in their perception. This means that being in different work experience does not affect employees' perception about the prevalence of corruption, and causes of corruption in UDCO. But in case of 'how corruption is carried out', here the p-value (0.42) is smaller than 0.5. Hence different work experience is a deciding factor in the employee's perception about agreement of corruption.

Research Objective – Four

The general objective of this research was to assess the major causes of corruption and its effect on public service delivery in Mekane Eyesu town administration UDCO. In a parallel way, the researchers have assessed why customers need to involve in corruption and opinion of respondents about the improvement of the public service in the absence of corruption.

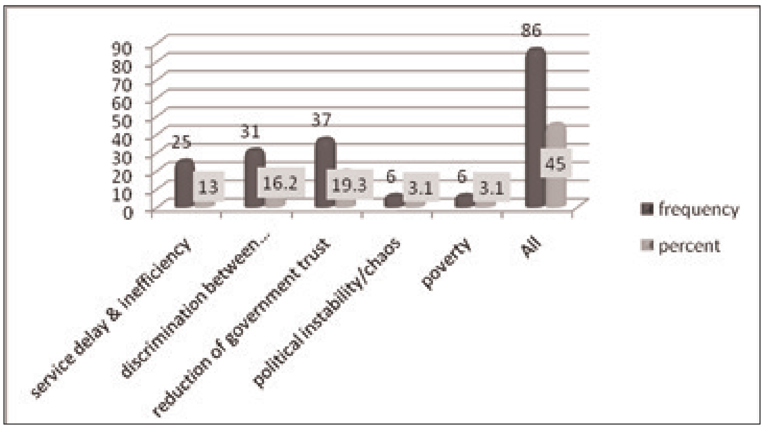
Figure-7: Customers Need to Involve in Corruption



Source: Field Survey, 2017

The above Figure-7 indicates majority of customer respondents 39% (75) replied that customers need to involve in corruption to speed up the service. Whereas, majority of employees 50% (16) responded that customers need to involve in corruption to get undue benefit which is categorized as the second motive by customer respondents of 33.9% (54). The remaining customer respondents 27% (43) opined as not to pay much money to the government. 25% (8) of employee respondents also replied the reason that customers motive to involve in corruption is to speed up the service and not to pay much money to the government. But, no one of both respondents resorts to corruption to motivate employees. From this one can generalize that the two major reasons that initiate customers to involve in the act of corruption are to get undue benefit and to speed up the services they require. It implies that delayed services may oblige customers to involve in corruption in a calculated way to make their profits much more than their losses in corruption; however, ultimately that harms the benefit of the whole population.

Figure-8: Effects of Corruption on Public Service Delivery



Source: Field Survey, 2017

As a crucial responsibility of government and government institutions, the public service should deliver services that a society requires to maintain and improve its welfare. However, public service delivery is affected by different factors like corruption which has a multifaceted effect on public service (Whitaker, 1980). As indicated in the Figure-8, majority of respondents 45% (86) replied that all the identified effects of corruption are experienced in the office. It implies that corruption delay and results in to inefficient the public service, discriminate customers, reduce government trust, creates political instability and poverty in the public service delivery of the study area. On the other hand, the rest respondents 19.3% (37) replied corruption reduces government trust, 16.2% (31) opined that corruption creates discrimination between customers, 13% (25) opined that corruption results in service delay & inefficiency, 3.1% (6) told that corruption causes political instability and 3.1% (6) told corruption leads to poverty. This shows that corruption on public service delivery has a cyclic effect on a country's development.

Qualitative corroboration - The data obtained from FGD participants & interviewees indicated that the prevalence of corruption on public service delivery creates an ill feeling or hostility on the office or government. They added that corruption on public service delivery generates lack of government trust and grumbling, discrimination between customers, service delays and inefficiency, aggravates poverty and it hinders the journey of development. From this one can conclude that corruption has an adverse effect on the provision of public goods and services which contribute to aggravate poverty in a country.

Conclusion and Recommendations

Based on the findings of this research, corruption in the study area is caused by bad example of higher officials, weak penal mechanism of corrupters, lack of transparency and tradition of corruptive practices in the office. Higher officials are delegated to represent their office and they are responsible for the success and failure of the office. However, practically, their actions can't inspire others to fight against corruption because; higher officials themselves can't be free from corruption and model to others. The anti-corruption laws are useful in controlling corruptive practices in a country. The finding indicates that there is a problem to penalize corruption criminals in the study area and this inspires potential corrupters. Therefore, the problem to penalize criminals lead employees who work in a position that can corrupt and don't use their chance will be considered as unwise men. Finally, it considers corruption to be seen as a tradition in the office which is danger to eradicate. Whereas, from the finding, customer influence, low salary of employees/officials and their discretionary power have not a significant role to be causes of corruption. In addition, the finding indicates that there is a problem of transparency in the office during service delivery process and employees can violate the right of customers. Mekane Eyesus town administration UDCO doesn't respect and treat properly its customers. One of the core values of the office is to affirm transparency in the public service to satisfy customers; however, UDCO can't translate its value into reality.

From the finding, nepotism, embezzlement, and bribery are believed as the principal forms by which corruption is manifested in the office. Although different forms of corruption dominantly manifests in each sections of the office, nepotism has a lion share to exist highly in the office. The office uses a motto that "customer is king", however, it remains on the paper only. The finding indicates that customers in the office lacks respect and the services they provide biases to the rich (a person with white dressing).

Finally, the finding shows that corruption negatively influences the public service delivery. It creates lack of government trust and grumbling, discrimination between customers, service delays and inefficiency, cause to political instability, aggravates poverty and hence, lags behind the journey of development. The rules and regulations are executed on the will of individuals. A person who can't "walk by his/her hand" mayn't get the required service in time; his/her case stays for a long period of times. Then, corruption ends the public trust of government systems.

As a part of the recommendation, Policy makers have to reconsider about effective and strong accountability system in a deterrent way. It is recommended that anti-corruption case investigation services to be accessible up to the lower administration levels. The prosecutors should be committed and well skilled to investigate corruption cases. To qualify these professionals, policy makers should establish a training institution and apply the best practices of other countries. The societies have to aware that the public service was able to improve if there is no corruption in the office. They should never try to buy their rights because they have a right to get public service and develop an attitude of "zero-tolerance" to fight corruption.

References

African Development Bank (2003). *Costs of corruption in Developing Countries*. [Available at: http://www.afdb.org/afdb/Integrity/Anti-Corruption]

Alexander, M. (2012). *Causes of corruption in public sector institutions and its impact on development: turning what we know into what we do*. [Available at: http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan049589.pdf].

Amhara National Regional Cities Establishment (2009). *Organization and Determination of Powers and Duties Proclamation No.91/2003*.

Amundsen, I. (1999). *Political Corruption: An Introduction to the Issues,* Chr. Michelsen Institute, Development Studies and Human rights, *Working Paper 7*, pp: 1-32

Besley, T. & Ghatak, M. (2007). Reforming Public Service Delivery, *Journal of African Economies*, Vol. 16, pp: 127-156.

Bottelier, P. (1998). *Corruption and Development: Remarks for International Symposium on the Prevention and Control of Financial Fraud, East Asia and Pacific Region*, The World Bank.

Carlos, M. (2007). *Modes of Governance and Public Service Efficiency.* Institute of Local Government Studies School of Public Policy, The University of Birmingham.

Civil Service Transformation Research Center (2013). *Rent-seeking: Essence, Behaviors and controlling mechanisms*. Ministry of Civil Service, Addis Ababa, Ethiopia.

Common Wealth Secretariat (2002). *Current Good Practices and New Developments in Public Sector Management*, London: Marl Borough House, Pall Mall.

Desta, A. (2016). *Curbing Corruption in Ethiopia: Applying Democratic Autonomy at the Local Level,* Tigrai Online, Ethiopian news.

Federal Democratic Republic of Ethiopia (FDRE) (2001). *Ethiopia Anti-Corruption Special Procedure and Rules of Evidence Proclamation No. 236*.

Federal Democratic Republic of Ethiopia (FDRE) (2007). *Federal Civil Servants Proclamation No. 515*.

Federal Democratic Republic of Ethiopia (FDRE) (2001) *Service Delivery Policy in the Civil Service*, Addis Ababa.

Flynn, N. (2007) *Public Sector Management*, 5th edition. London: Sage.

Gray, C.W., Kaufmann, D. (1988). Corruption and Development, *Journal of Finance and Development*, 38(1), pp: 1-7.

Holmes, L. (1993). *The End of Communist Power, Anti-Corruption Campaign and Legitimation Crisis*, New York: Oxford University Press.

Independent Commission Against Corruption (ICAC) (1994). Unravelling Corruption: A Public Sector Perspective, *Survey of NSW Public Sector Employees Understanding of Corruption and Their Willingness to Take Action*, Sydney NSW.

Kayode, A., Adagba, S.O. & Anyio S. F. (2013). Corruption and Service Delivery: The Case of Nigeria Public Service, *Woodpecker Journal of Public Administration*, 1 (1), pp: 1-6.

Khan, M. H. (2006). *International Handbook on the Economics of Corruption*, Cheltenham: Edward Elgar.

Kindra, G.S. & Staphenhurst, R. (1998). *Social Marketing Strategies to Fight Corruption*, *Working Papers, No. 95-05*, Washington, D.C.: The Economic Development Institute of World Bank, pp: 1-28.

Klitgaard, R. (1988). *Controlling Corruption*, University of California Press: California.

OECD (1997). *Promoting Performance and Professionalism in the Public Service, SIGMA Papers No. 21*, Paris: Sigma.

Olowu, B. (1996). *Enhancing Ethics in the Ethiopian Civil Service*, Economic Commission for Africa Public Administration, Human Resource and Social Development Division, Addis Ababa.

Paulos, C. (2001). The Challenges of the Civil Service Reform in Ethiopia: initial Observations, *Eastern Africa Social Science Research Review*, 17 (1), January, pp: 79-102.

Rose, A. (1996). *The Political Economy of Corruption – Causes and Consequences*, Public Policy for the Private Sector Note No 74, The World Bank, pp: 1-4.

Rose, A. (1999). Corruption and Government, Causes, Consequences and Reform, London: Cambridge University, UK.

Tafere, A. & Narayana, E.A. (2015). Civil Service in Amhara National Regional State, Ethiopia, *Public Policy and Administration Research, Andhra University*, 5(2), pp: 51-58.

Tesfaye, S. (2007). Anti *Corruption Efforts in Ethiopia*, Federal Ethics & Anti-Corruption Commission of Corruption Prevention & Research Department, Addis Ababa.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.32-44

Effectiveness of Public Service Delivery Through the Right to Information (RTI) Act, 2005: An Empirical Study of Chandigarh

Bharati Garg*

The RTI Act, 2005 gave every Indian citizen the right to information and put the government functioning in public domain. This paper is an empirical study based on primary data, assesses the effectiveness of the RTI Act, 2005 in ensuring citizen-centric, transparent, accountable and responsive public service delivery by government offices in Chandigarh. The primary data was collected through interviews, discussions and by administering structured questionnaires to 50 information seekers, 50 Central Public Information Officers and 30 officials of the appellate authorities in government departments of Chandigarh. The data was tabulated and analysed using percentages. The Act ensured transparency, accountability and responsiveness in government service delivery but it had only partially succeeded in reducing corruption and improving complex processes of service delivery. The most important policy prescription was implementation of the proactive disclosure of information clause, training of information officers and spreading awareness about the Act so as to improve public service delivery for the marginalized.

Keywords
Right to Information, Public Service Delivery, Transparency, Accountability, Responsiveness

Approaches of Service Delivery and Research Methodology

Government and good governance has come to be recognised with transparent, accountable and responsive public service delivery at the cutting edge level of administration. "Public sector governance refers to the way the state acquires and exercises the authority to provide and manage public goods and services, including both public capacities and public accountabilities" (Tandon, 2012, p.1). "A core area of good governance is where the execution of public policies takes place, which is country's public delivery system" (Maheshwari, 2007, p.323). The relationship between government and citizens is very crucial. It is the responsibility of the government to keep its citizens satisfied by effectively delivering the services. "At first sight quality in public services is simple – it is ensuring that users of these services get what they want and need. But any deeper examination of how to do this quickly raises fundamental issues about the purposes of public services, equity and choice, and conflicts and compatibilities between users, potential users, and taxpayers" (Ovretveit, 2005, p.537).

It has been found that service delivery have failed poor people – in access, quantity and quality. This failure can be gauged in four ways – the benefits of services are reaped by non-poor, corruption, lack

* Assistant Professor, Department of Public Administration, Panjab University, Chandigarh and can be reached at bharatig@pu.ac.in.

of incentives for delivering effectively, and lack of demand for the services (World Development Report, 2004, p.3-4).

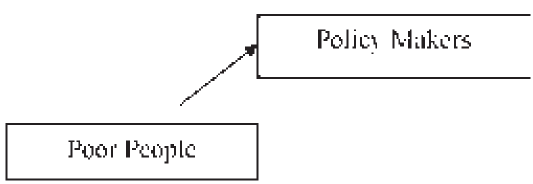
There is no direct accountability of the provider to the consumer in the provision of services which matter the most to the public such as health, education, water, electricity, and sanitation as the society had decided to provide these services not through a market transaction but through the government taking responsibility. That is, through the "long route" of accountability – by clients as citizens influencing policymakers, and policymakers influencing providers. When this long route relationship fails down, service delivery and human development outcomes are also poor (World Development Report, 2004, p.6). Poor people are the worst sufferers of poor service delivery as they have no influence over the politicians and are not well informed about their rights and entitlements. Thus, public service delivery often becomes the currency of political patronage and clientelism.

Figure-1: Framework of Accountability Relationships

Source: World Development Report, Making Services Work for Poor People, 2004, p-6

The weaknesses in the long route of accountability shows that service delivery outcomes can be improved by strengthening the short route – by increasing the client's power over providers and this can be done when the citizens can hold the policy makers accountable for public services that benefit the poor.

Figure-2: Accountability of Policy Makers to People



Source: World Development Report, Making Services Work for Poor People, 2004, p-7.

There are examples where service delivery can be improved by putting poor people at the centre of service provision: by enabling them to monitor and discipline service providers, by amplifying their voice in policy making, and by strengthening the incentives for providers to serve the poor (World Development Report, 2004, p.1). The delivery of high quality public services is an essential element of inclusive development bringing the essentials of livelihood like provision of food, health services, and medical care to vulnerable sections of the population within the easy reach of people whose lives may remain otherwise untouched by incoming growth. "Perhaps, the most powerful means of increasing the voice of poor citizens in policy making is better information with the citizens/ clients. Information can act as a stimulant for public action, as a catalyst for change, and as an input for making other reforms work. Even in the most resistant societies, the creation and dissemination of information can be accelerated. Surveys of the quality of service delivery conducted by the Public Affairs Centre in Bangalore, India, have increased the demand for service reform" (World Development Report, 2004, p.17). There are different approaches to improve public service delivery and satisfy the customers like Customer or User approaches. Legal approach, quality assessment, regulation and accreditation, Standards-based approaches and Organisation-wide and Team Project approaches. Any one service might use one or a combination of these approaches (The Oxford Handbook of Public Management, 2005, p-546-549).

Indian Context

The Government of India declared itself as a welfare state and took upon the responsibility of providing services to the masses. The public sector declared itself the largest service provider (Pricewaterhouse Coopers, 2015, p.4). In the process it acquired immense discretionary powers which came to be abused more than being used for public welfare and faltered on effectively delivering public services. Many ills like lack of accountability, unresponsiveness, lack of transparency, corruption, secret and complexity in decision making, inequity in accessing services plagued the delivery of services in the Indian politico-administrative system. The public service delivery by the official agencies was governed by the colonial era Official Secrets Act, 1923 which totally insulated the government from the citizens. Secrecy in government became the most important cause of corruption, inefficiency and irresponsiveness and an enemy to good governance (Goel, 2007, p-xvii). The formal accountability mechanisms failed miserably and need was felt to establish new, more positive accountability structures in order to ensure continuous improvement in government performance (Gregory, 2003, p. 566).

Under the impact of liberalization, privatization and globalization, it was realized to make governments more efficient, effective, transparent, responsive and citizen centric in the delivery of services. The Government of India undertook several initiatives in an effort to deliver the services in an effective, efficient, accountable and time bound manner. Downsizing and rightsizing the government, improvements in revenue collection, financial management and accounting, interdepartmental communication systems and customer care programmes impart a client orientation to those engaged in public delivery system. A large number of public organizations having direct dealings with the citizens adopted citizens' charter, Right to Services Act, Lokpal and Lokayuktas Act, 2013 and Right to Information (RTI) Act, 2005 with the aim to promote openness, citizens' participation, and improved customer service in the public sector. These initiatives succeeded in enhancing the competitiveness of the public employer in the market (Pricewaterhouse Coopers, p.5).The message sought to be conveyed was that the citizens were not mere passive recipients of monopolistically provided services but are the centre of the service delivery mechanism (Maheshwari, 2007, p.323).

It was in this background that a study on the impact of the RTI Act, 2005 in improving the effectiveness of public service delivery has been attempted in the present paper. The Act which came into effect on 12 October, 2005 was one of the most significant legislations enacted by the Parliament of India. The Act enabled the establishment of an unprecedented regime of right to information for the citizens of this country. It overrides the 'Official Secrets Act, 1923' and other similar laws and rules. It struck at the heart of the paradigm long practiced by government officials and public functionaries that 'confidentiality is the rule and disclosure is an exception'. The Act sought to establish that "transparency is the norm and secrecy is an exception" in the working of every public authority. It aimed to ensure maximum openness and transparency in the machinery and functioning of government at all levels: Central, State and Local.

The RTI Act was expected to contain corruption, create an informed citizenry and transparency of information holding the government and their instrumentalities accountable to the governed. All these were further expected to strengthen democracy and transparency in service delivery, considered as vital components of good governance.

Objectives of the Study

The primary objective of the present study was to assess the impact of the RTI Act, 2005 in improving the effectiveness and responsiveness of the government agencies in delivering public services in the Union Territory of Chandigarh (India). The effectiveness of the Act in delivering the services was assessed w.r.t. improvement in the quality of services delivered, increased transparency, accountability and responsiveness of the agencies in service delivery, dent on corruption and empowerment of citizens and assertive and informed citizenry their rights and entitlements.

Research Methodology and Sampling

The study was an empirical study based on primary data. The primary data was collected by administering structured questionnaires to a sample of 50 Central Public Information Officials (CPIOs) in the government departments of the Union Territory of Chandigarh, 30 officials of the appellate authorities and 50 information seekers. Informal interviews and discussions were also held with the officials of the various departments and information seekers. The list of information seekers was taken from the offices of the U.T. Administration.

The following departments of the Chandigarh Administration were visited during the course of the study:

- Chandigarh Housing Board
- Food & Civil Supply and Consumer Affairs Department
- Chandigarh Police Headquarters
- Registering and Licensing Authority (RLA)
- Department of Higher Education
- Health Department
- U.T. Engineering Department
- Electoral Office
- Estate Office
- Social Welfare Department
- Office of the District Collector
- Municipal Corporation
- State Legal Services Authority
- Chandigarh Tourism Department
- Department of Rural Development and Panchayats

Case Background

The city Chandigarh is the first planned city of India with population of around 900,000. It is one of the fastest growing cities in India. It is the joint capital of two states: Punjab and Haryana. The jurisdiction of the Chandigarh Administration is around 114 sq. kms. which also includes approximately 25 villages. The city has one of the highest literacy rates at 86.05% (Male literacy at 89.9% and female literacy at 64.81%) which is above the national average. The Union Territory of Chandigarh started implementing the Act in 2005 along with other states and Union territories of India. Being centrally administered and highly literate city the general perception was that the public service delivery must be very efficient, effective, transparent and responsive and RTI Act, 2005 had made the public service delivery more efficient and effective. It was, thus, considered to test how far RTI Act, 2005 had made the public service delivery in Chandigarh more efficient, effective, transparent and corruption free and has the Act really empowered the people of Chandigarh in asserting their rights and benefits?

Research Questions

The present study seeks to find answers to the following research questions.

- Has the public service delivery improved in terms of accountability, transparency, responsiveness of government agencies since the implementation of the RTI Act, 2005?
- Has the RTI Act, 2005 empowered the citizens by giving them easy access to government decision making, information?

The paper has been divided into four sections. Section I gives the Introduction and approaches of public service delivery, objectives of the study, research methodology, sampling and research questions of the study. Section II gives the main provisions of the Act and its significance. Section III contains the data analysis, interpretation and findings of the study and Section IV gives the conclusion and policy prescriptions.

Significance and Main Provisions of the RTI Act, 2005

The RTI Act granted statutory right to every citizen of India to access information from a public agency. It was considered as a vehicle for greater transparency about the manner of functioning of public agencies, making public service delivery effective by enabling information in the hands of the citizens that they could claim their entitlements. “The Act was harnessed as a tool for promoting participatory development, strengthening democratic governance and facilitating effective delivery of socio-economic services. People who have access to information and who understands how to make use of the acquired information in the processes of exercising their political, economic and legal rights became empowered, which in turn enable them to build their strengths and assets, so as to improve the quality of life” (Ansari, 2015). The main provisions of the Act were:

- All citizens possess the right to information in any form of record, document, e-mail, circular, press release, contract sample or electronic data etc.
- Right to information covers inspection of work, document, record and its certified copy and information in form of diskettes, floppies, tapes, video cassettes in any electronic mode or stored information in computer etc.
- Applicant can obtain information within 30 days from the date of request in a normal case.
- Information can be obtained within 48 hours from time of request if it is a matter of life or liberty of a person.
- Every public authority is under obligation to provide information on written request or request by electronic means.
- Penalty for refusal to receive an application for information or for not providing information is Rs. 250/- per day not exceeding Rs. 25,000/-.
- Central Information Commission and State Information Commission are to be constituted by the Central Government and the respective State Governments as appellate authorities.
- Section 4 of the Act provides for the voluntary disclosure of 17 categories of information by the government agencies and publicise it through various modes.

It is in this light that the paper attempted to analyse the effectiveness of the RTI Act, 2005 in improving public service delivery to the intended beneficiaries.

Data Interpretation, Analysis and Findings

Data was collected by administering questionnaires to CPIOs, officials of appellate authorities and information seekers. The questions pertained to whether the RTI Act, 2005 had brought about any improvements in the public service delivery and whether the RTI Act, 2005 had really empowered the citizens in seeking information from the government agencies and made them more aware of their rights and entitlements.

Improvement in the Quality of Public Service Delivery: Table-1 discussed the impact of the RTI Act, 2005 on the quality of public service delivery. The analysis showed that the majority of the respondents in all the three categories either disagreed or strongly disagreed that the implementation of the RTI Act, 2005 had led to the improvement in the quality of public service delivery. 22% of the CPIOs, 26.6% of the officials in the appellate authorities and 22% information seekers disagreed and 20% CPIOs and 30% information seekers strongly disagreed that the RTI Act had led to improvement in the quality of public service delivery.

Table-1: RTI and Improvement in Quality of Public Service Delivery

Improvement in the quality of public service delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	12(24)	10(20)	11(22)	10(20)	07(14)
Appellate Authorities (N-30)	---	07(23.3)	15(50)	08(26.6)	---	---
Information Seekers (N-50)	---	11(22)	11(22)	11(22)	15(30)	02(04)

Figures in parentheses are percentages

On the other hand, 24% CPIOs, 23.3% officials in appellate authorities and 22% information seekers agreed that the quality of public service delivery has improved under the RTI Act. The officials informed that w.r.t. departments like Food & Supply and Consumer Affairs Department, Education and Health Department and departments dealing with social welfare schemes the public service delivery has improved.

Simplification in the Process of Public Service Delivery: Table-2 analysed the respondents view whether implementation of the RTI Act, 2005 had simplified the process of public service delivery. Majority of the respondents (36% CPIOs and 66.6% officials of the appellate authorities) neither agreed nor disagreed with the question asked. However, as high as 40% CPIOs, 33.3% officials of the appellate authorities and 50% of the information seekers disagreed and 10% CPIOs and 40% information seekers strongly disagreed that there was any simplification in the public service delivery process after the Act came into being. Infact, the respondents informed that officials mould rules and regulations to suit their own vested interests. A small percentage of respondents (4% CPIOs and 10% information seekers) agreed that the RTI Act, 2005 led to simplification in the public service delivery process as now the names and designations of the dealing officials were displayed and grievance redressal mechanism is also laid down, rights and entitlements of the beneficiaries were clearly mentioned in some departments like Food & Supply making it convenient for the citizens to avail the services.

Table-2: Simplification in the Process of Public Service Delivery

Simplification in the Process of Public Service Delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	02(4)	18(36)	20(40)	05(10)	05(10)
Appellate Authorities (N-30)	---	---	20(66.6)	10(33.3)	---	---
Information Seekers (N-50)	---	05(10)	---	25(50)	20(40)	---

Figures in parentheses are percentages

Increased Awareness Among People About Their Rights and Entitlements: Table-3 showed whether the RTI Act, 2005 had led to the increased awareness among people about their rights and entitlements. Majority of the respondents (46% CPIOs, 56.6% officials of appellate authorities and 24% information seekers) disagreed and 16% CPIOs, 26.6% officials of the appellate authorities and 24% information seekers strongly disagreed that RTI Act, 2005 had in any way increased awareness among the masses about their rights and entitlements.

Table-3: Increased Awareness among People about their Rights and Entitlements

Increased Awareness Among People about Rights and Entitlements	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	07(14)	12(24)	23(46)	08(16)	---
Appellate Authorities (N-30)	---	05(16.6)	---	17(56.6)	08(26.6)	---
Information Seekers (N-50)	---	13(26)	---	12(24)	12(24)	13 (26)

Figures in parentheses are percentages

The officials informed that since they were educated and were placed in official positions, therefore, they were better aware of their rights and entitlements but they were skeptical of the high awareness levels of the rights and entitlements among poor and illiterate citizens though they agreed that situation might be better in a literate and developed city like Chandigarh in comparison to other cities.

Citizen's Accessibility to Government Records: Table-4 analysed the views of respondents whether the implementation of the RTI Act had improved citizens' accessibility to government records and procedures. Undoubtedly, there was a strong positive response to this question from all the respondents. 90% of the CPIOs, 96.6% officials of the appellate authorities and 38% of the information seekers strongly agreed that the citizens' access to government records and procedures had improved since the implementation of the RTI Act, 2005. 10% CPIOs, 3.3% officials of the appellate authorities and 24% information seekers agreed that their accessibility to government records had improved. On the other hand 38% information seekers disagreed that their accessibility to government records had improved since the implementation of the RTI Act, 2005.

Table-4: Improvement in Citizens' Accessibility to Government Records and Procedures

Increased Citizens' Accessibility to Government Records and Procedures	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	45(90)	05(10)	---	---	---	---
Appellate Authorities (N-30)	29(96.6)	01(3.33)	---	---	---	---
Information Seekers (N-50)	19(38)	12 (24)	---	19(38)	---	---

Figures in parentheses are percentages

Citizen's Asserting their Rights: Table-5 depicted the respondents view to the question whether citizens' were now more assertive of their rights about entitlements with the RTI Act, 2005 in force.

Table-5: Citizens' Asserting their Rights Effectively

Citizens Asserting their Rights Effectively	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	09(18)	09(18)	13(26)	12(24)	07(14)
Appellate Authorities (N-30)	---	12(40)	---	09(30)	04(13.3)	05(16.6)
Information Seekers (N-50)	02(4)	17(34)	---	07(14)	07(14)	17(34)

Figures in parentheses are percentages

The analysis showed that a large percentage of respondents (26% CPIOs, 30% officials in appellate authorities and 14% information seekers) disagreed with this question while 24% CPIOs, 13.3% officials in the appellate authorities and 14% information seekers strongly disagreed with the question posed to them. However, 18% CPIOs, 40% officials in appellate authorities and 34% information seekers agreed that the RTI Act, 2005 had helped citizens' in asserting their rights and entitlements more effectively.

Increased Transparency: Table-6 expounded the views of the respondents to the question whether the RTI Act, 2005 had increased transparency in government public service delivery. The analysis gave a mixed response to this question but majority were positive in their response. Majority of the respondents in all the three categories strongly agreed that the implementation of the RTI Act, 2005 has increased transparency in public service delivery (44% CPIOs, 66.6% officials of the appellate authorities and 30% information seekers).

Table-6: Increased Transparency in Public Service Delivery

Increased Transparency in Public Service Delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	05(10)	22(44)	01(02)	15(30)	03(06)	04(08)
Appellate Authorities (N-30)	03(10)	20(66.6)	---	05(16.6)	---	02(6.6)
Information Seekers (N-50)	---	15(30)	---	27(54)	08(16)	---

Figures in parentheses are percentages

On the other hand, 10% CPIOs and 10% official seekers in appellate authorities strongly agreed with this question but no information seeker was in favour of this. On the other hand, there was quite a substantial percentage of respondents who either disagreed or strongly disagree with the question that the RTI Act, 2005 had increased transparency in public service delivery (30% CPIOs, 16.6% officials of the appellate authorities and 54% information seekers-disagree; 6% CPIOs and 16% information seekers-strongly disagree).

Increased Accountability: Table-7 delineated the responses of the respondents to a question whether the RTI Act, 2005 had increased the accountability of government agencies in public service delivery. Majority of the respondents in all the three categories either strongly agreed (26% CPIOs, 23.3% officials of appellate authorities) or agreed (44% CPIOs, 46.6% officials of appellate authorities and 26% information seekers) that the accountability of the government agencies while delivering services had increased under the impact of the RTI Act, 2005. On the other hand, 14% CPIOs, 10% officials of appellate authorities and 24% information seekers disagreed with the question posed to them. They argued that there was hardly any increase in transparency in government functioning and the officials who were to indulge in corrupt practices do so through some other channels.

Table-7: Increased Accountability in Public Service Delivery

Increased Accountability in Public Service Delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	13(26)	22(44)	---	07(14)	---	08(16)
Appellate Authorities (N-30)	07(23.3)	14(46.6)	---	03(10)		04(13.3)
Information Seekers (N-50)	---	13(26)	06(12)	12(24)	---	19(38)

Figures in parentheses are percentages

Increased Responsiveness of Government Agencies in Public Service Delivery: Table-8 described the views of the respondents' whether the responsiveness of the government agencies while delivering services has increased after the RTI Act, 2005. As high as 58% CPIOs, 46.6% officials in the appellate authorities, 38% information seekers disagreed and 14% CPIOs and 4% information seekers strongly disagreed that the responsiveness of government agencies had increased in delivering public services.

On the other hand, a small percentage of CPIOs (4%), 26.6 % officials in the appellate authorities and only 14% information seekers agreed that the responsiveness of the government agencies has increased after the implementation of the RTI Act, 2005.

Table-8: Increased Responsiveness in Public Service Delivery

Increased Responsiveness in Public Service Delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	02(04)	---	29(58)	07(14)	12(24)
Appellate Authorities (N-30)	---	08(26.6)	08(26.6)	14(46.6)	---	---
Information Seekers (N-50)	---	07(14)	18(36)	19(38)	02(04)	04(08)

Figures in parentheses are percentages

Reduction in Corruption after the Implementation of the RTI Act, 2005: Table-9 revealed the impact of the RTI Act, 2005 on reducing corruption in government agencies. Not surprisingly, the officials were not very forthcoming on this issue. Majority of the official respondents (60% CPIOs, 50% officials in the appellate authorities) neither agreed nor disagreed with this question. They infact chose to remain silent on this issue.

Table-9: Reduction in Corruption after Implementation of the RTI Act, 2005

Reduction in Corruption	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	08(16)	30(60)	12(24)	---	---
Appellate Authorities (N-30)	---	05(16.6)	15(50)	03(10)	05(16.6)	02(6.6)
Information Seekers (N-50)	---	02(04)	07(14)	17(34)	20(40)	04(08)

Figures in parentheses are percentages

On the other hand, those who either disagreed or strongly disagreed with this question were also high -24% CPIOs, 10% officials in the appellate authorities and 34% information seekers disagreed; 16.6% officials in the appellate authorities and 40% information seekers strongly disagreed with the question that the RTI Act, 2005 has reduced corruption. All the respondents were in fact skeptical and wondered whether corruption can ever be reduced in public service delivery.

Process of Government Decision Making: Table-10 described whether the government decision making became participatory after the RTI Act, 2005 came into force. This was another grey area where officials were not forthcoming in their views. A high percentage of respondents (46% CPIOs, 50% officials of appellate authorities and 34% information seekers) disagreed with the question. However, the respondents firmly believed that the government decision making processes were very complex and decisions were made behind the veil of secrecy.

Table-10: Improvement in Government Decision Making after the RTI Act, 2005

Improvement in Government Decision Making	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	07(14)	17(34)	23(46)	---	03(06)
Appellate Authorities (N-30)	---	10(33.3)	05(16.6)	15(50)	---	---
Information Seekers (N-50)	---	07(14)		17(34)	17(34)	09(18)

Figures in parentheses are percentages

Satisfaction With the Quality of Information Provided and Problems Faced by Information Seekers: Table-11 explained the impact of the Section 4 of the RTI Act, 2005 on public service delivery. The Section 4 of the Act provided proactive disclosure of seventeen categories of information by the government agencies. 22% of the CPIOs and 40% of the officials of the appellate authorities agreed that implementation of the Section 4 of the RTI Act had improved the public service delivery as departments were *suo motto* putting the information in public domain. On the other hand, 50% of the CPIOs and 6.6% of the officials of the appellate authorities disagreed that Section 4 of the RTI Act had made any impact on the public service delivery as the information put on the websites was not regularly updated and the intended beneficiaries were mostly poor, illiterate people.

Table-11: Impact of Section 4 of the RTI Act and Public Service Delivery

Impact of Section 4 of the Act on Public Service Delivery	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Reply
CPIOs (N-50)	---	11(22)	11(22)	25(50)	---	03(6)
Appellate Authorities (N-30)	---	12(40)	12(40)	02(6.6)	02(6.6)	02(6.6)

Figures in parentheses are percentages

The websites of the Department of Food & Supplies and Consumer Affairs, U.T., Chandigarh; State Legal Services Authority, U.T., Chandigarh; Department of Rural Development and Panchayats, U.T., Chandigarh; Social Welfare Department; and, Registering and Licensing Authority (RLA), U.T., Chandigarh were analysed and corroborated the views of the officials.

These websites provided detailed information about 17 categories of information mentioned in Section 4 of the Act but they were not updated frequently. The website of the RLA did not mention when it was last updated. The website pages of the Department of Rural Development and Panchayats was updated on 14/11/2013**;** of State Legal Services Authority on 08/02/2013; Food & Supplies and Consumer Affairs on 03/05/2012 and Social Welfare Department on 15/09/2014. Moreover, the names and designations of CPIOs and officials of the appellate authorities were not updated on either of these sites scanned.

Satisfaction of the Information Seekers with the Quality of Information Provided: Table-12 shows whether the information seekers were satisfied with the quality of information provided to them by the government authorities. The responses show that only 14% of the respondents were satisfied with the information provided to them, 24% respondents got unsatisfactory responses, 26% got incomplete information, 30% got information having ambivalent language and 6% did not reply to the question posed to them.

Table-12: Satisfaction with the Quality of Information Provided (N-50)

Satisfactory	Unsatisfactory	Incomplete	Ambivalent language	No Reply
07(14)	12(24)	13(26)	15(30)	03(6)

Figures in parentheses are percentages

Problems in Seeking Information: When the information seekers were asked whether they faced any difficulties in seeking information under the RTI Act, 2005 (Table-13), 83% replied in affirmative and only 6% denied having faced any difficulty in seeking information under the RTI Act, 2005 and 12% chose not to reply to the question.

Table-13: Problems Faced in Seeking Information under the RTI Act, 2005 (N=50)

Yes	No	No Reply
41(82)	03(6)	06(12)

Figures in parentheses are percentages

Table-14 gives an account of the problems faced by information seekers in accessing information from the government departments. The analysis showed that 73.1% information seekers had varied problem such as – non-availability of CPIOs on their desks, the same percentage of information seekers (73.1%) said that the notice boards containing their names and designations were not placed at a visible location in the office. 43.9% of the information seekers did not find any notice board carrying the names of the CPIOs and appellate authorities.

Table-14: Nature of Problems Faced in Seeking Information under the RTI Act, 2005 (N=41)

Problems	Yes	No	No Reply
Non-availability of CPIOs on their desks	30 (73.1)	04(9.5)	07(17)
Names and designations of the CPIOs were not displayed on the notice board of the office	18(43.9)	15(3.6)	08(19.5)
The notice board was not visibly placed in the office	30 (73.1)	07(17)	04(9.7)
Asked to withdraw your RTI Application	12(29.2)	19(46.3)	10(24.3)
There was a specific proforma to file RTI Application	---	35(85.3)	06(14.6)
There was a specific day and time to meet the CPIOs	---	37(90.2)	04(9.7)
Unfriendly and hostile attitude of the officials	17(41.4)	17(41.4)	07(17)
CPIOs lacking in basic courtesy	12(29.2)	15(3.6)	14(34.1)

Figures in parentheses are percentage

41.4% of the information seekers found the attitude of the CPIOs very unfriendly and hostile, 29.2% of the information seekers informed that they were contacted by the government officials to withdraw their RTI applications as it was really difficult to gather information asked for in the stipulated time as RTI Act, 2005 had increased their workload.

Conclusion and Policy Prescriptions

Interaction with stakeholders and analysis of data on ensuring effectiveness of RTI in public service delivery had brought to fore some issues and concerns that required immediate attention. In light of the present study, some policy prescriptions have been suggested so that RTI Act, 2005 can be made effective in improving public service delivery.

- The decisions of the Central Information Commission and the State Information Commission must have legal backing or they be incorporated in the Act itself so that their enforcement could be ensured.
- Section 4 of the RTI Act, 2005 dealt with the proactive disclosure of information by government agencies was not being implemented in letter and spirit. Although there were ministries and departments which were relatively more transparent and open than others, but most of them did not conform to the matrix of disclosure set out in Section 4 of the Act. Moreover, more and more information needed to be placed in the public domain and publicized through various media like books, journals, internet, manuals etc. so that the need for resorting to RTI can be minimized.
- Training and capacity building of the Central Public Information Officials (CPIOs) w.r.t. the objectives of the RTI and how it could ensure public service delivery must be ensured by the Union and State governments.
- The implementation of the RTI Act, 2005 must be synchronized with the implementation of the Citizens' Charter, Lokpal and Lokayukta Act, 2013 and other systemic and administrative reforms so that all the ills in the effective public service delivery could be dealt with effective legal and institutional system.
- Record keeping must be maintained on scientific lines so as to ensure that the information provided to the citizens was not vague and unsatisfactory.
- Timely updating of the department websites with full information about the office address and other relevant information and disseminating it through various channels so as to reduce the number of RTI applications and giving maximum *suo motto* information to the public.

To conclude, it can be stated that the adoption and implementation of the RTI Act, 2005 was a laudable initiative towards ensuring transparency and responsiveness in public service delivery. Undoubtedly, the Act had empowered the marginalized communities with the information regarding what the governments were doing but some infrastructure must be put in place as to the effective utilization of the information received. Thus, the Act must be implemented in its true letter and spirit so that the marginalized can reap the full benefits of the Act.

References

Ansari, M.M. (2015). *Right to Information and its Relationship to Good Governance and Development*. [Available at: http://cic.gov.in/CIC-Events/IC-MA-LectureAtUNESCO-04122008.pdf]

Asian Development Bank Policy Report. (2013). *Empowerment and Public Service Delivery in Developing Asia and the Pacific*. [Available at: https://www.adb.org/sites/default/files/publication/30228/empowerment-public-service-delivery-asia.pdf]

Bhattacharya, Mohit. (2007). *New Horizons of Public Administration,* New Delhi: Jawahar Publishers and Distributors.

Ferlie, Ewan, Laurence E. Lynn Jr. & Christopher Pollitt (eds.). (2005). *The Oxford Handbook of Public Management,* New York: Oxford University Press.

Goel, S.L. (2007). *Right to Information and Good Governance*. New Delhi: Deep & Deep Publications Pvt. Ltd.

Gregory, Robert. (2003). Accountability in Modern Government. In: B. Guy Peters and Jon Pierre (eds.). *Handbook of Public Administration,* London: Sage Publications.

Lynch, Thomas D. & Todd J. Dicker (eds.). (1998). *Handbook of Organisation Theory and Management: The Philosophical Approach,* New York: Marcel Dekker Inc.

Maheshwari, S.R. (2007). Good Governance: Its Theory and Practice in India. In: Ali Farazmand & Jack Pinkowski (eds.). *Handbook of Globalisation, Governance, and Public Administration*. New York: Taylor and Francis Group.

Ovretveit, John. (2005). Public Service Quality Improvement. In: Ewan Ferlie, Laurence E. Lynn Jr. and Christopher Pollitt (eds.). *The Oxford Handbook of Public Management,* New York: Oxford University Press.

Pricewaterhouse Coopers. (2015). *The Road Ahead for Public Service Delivery: Delivering on the Customer Promise*. Public Policy Research Centre [Available at: https://www.pwc.com/en_GX/gx/psrc/pdf/the_road_ahead_for_public_service_delivery.pdf. P:5].

Rabin, Jack, W. Bartley Hildreth & Gerald J. Miller (eds.). (1997). *Handbook of Public Administration,* New York: Marcel Dekker Inc.

Tandon, Rajesh. (2012). Transparent & Accountable Governance in Effective Public Service Delivery in India Today, In: *The 3rd Annual Conference of Chief Secretaries*, New Delhi: Government of India. [Available at: www.pria.org/docs/Transparent-Accountable-Governance.pdf].

World Development Report. (2004). *Making Services Work for Poor People.* Washington D.C.: World Bank and Oxford University Press.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.45-61

Governance Linkages to the Residential Water Scarcity: Case of Gurugram Region of India

Rakesh Kumar Singh*

The present paper is a theoretical attempt to understand governance linkages to the growing residential water scarcity in relation to Gurugram region in the Indian State of Haryana. Based on the evidences gathered from secondary sources on the urban governance of Gurugram, the study highlights the multi-dimensional aspects of governance failure in the provision of household water to residents of Gurugram. The study shows that institutional loopholes embed the governance crisis in water provisioning to residents of Gurugram, which eventually results from civic mess, rather governance chaos in urban water management. In other words, the study suggests urban (mis)governance for the prevailing state of residential water scarcity in Gurugram. The paper strongly contests the governance discourse of Gurugram in terms of residential water supply.

Keywords
Residential Water, Water Scarcity, Urban Governance and Policy, Urban Planning

Introduction

Water, a scarce resource, is prerequisite for socio-economic prosperity of any society and nation. Water has multiple uses and users. Though water is a replenishable (natural) resource, its availability is finite, and its characteristics concerning "form, volume, reliability and usability vary greatly across space reflecting differences in climate, geography, hydrology and geological conditions" (Vaidyanathan, 2006:132). As anthropologically viewed, water is a unique entity as it touches various cultural spheres of humankind. "As a resource central to life and livelihood, water has always been the locus of social action and social and economic stability" (Baviskar, 2007:1).

"Provision, planning and management, and creating necessary infrastructure of basic civic amenities primarily rest with the State" (Bedi, 2014:3). It is generally maintained that "water, though a scarce resource, is a necessary good (if not economic good), in fact, a basic human need, ideally should be provided by the State at subsidized rates to the consumers" in order to attain maximum economic efficiency and social welfare in distribution (Roach *et. al.,* 2015:3).

"Improved and reliable water supply, inerratic electricity, proper sanitation facilities, solid waste disposal and sewerage system, along with public transport facilities to citizens are the basic civic amenities which make an urban space a liveable space" (Saxena, 2013:97; Vaidyanathan, 2013:5). In urban areas, water is primarily demanded and supplied for three basic end uses, namely, residential or domestic, commercial (including construction) and industrial. The present study, however, is concerned with the

* Consultant, National Institute of Public Finance and Policy (NIPFP), New Delhi and can be reached at rakeshks.jnu@gmail.com

residential/domestic or household water as “clean, adequate and reliable water supply to residents is an essential component of the basic civic infrastructure of urban settlement” (Economic Survey of Delhi, 2012-2013:178).

Traditionally, in urban India, the State public utilities/parastatal agencies have been assigned the responsibility of delivering domestic water, qualitatively fit, and quantitatively desirable to the residents though piped-water networks. Quite often, the civic authorities find it increasingly difficult to manage water supply distribution on account of resource constraints, both in terms of water as a scarce resource (availability of water for final distribution) on one hand, and financial constraint in the operation and maintenance (O & M) of the water utility in question, on the other hand. Besides these, existing poor infrastructure and non-revenue water loss are prominent reasons for ineffective water supply. These inherent bottlenecks in the operation and management of water utility can be labelled as the fundamental as well as universal reasons for inefficiency in water service delivery.

Specifically, “public (governance) authorities in developing countries face ever increasing challenges in improving access to potable water in today’s era of globalization” (Rudra, 2011:143). McKenzie *et. al.,* (2009:11) opine that “a large number of households in cities in developing world do not have access to one of the most basic of human needs – a safe and reliable supply of drinking water.” McKenzie *et. al.,* (2009:12) however, maintain that “State’s intermittent water supply, with predominantly low tap-water pressure, and unpredictable service impose additional coping costs for the unreliability on households.” It is therefore, a general interest in academic research in areas of residential water governance, to look at the impact of inefficient State’s water utility in relation to the alternative strategies of procuring domestic water by the households. More significantly, it is often crucial in contemporary times to understand how the governance of civic amenities including household water is actually being executed in an urban-specific context in wake of rapid urbanization and increasing population.

Governance of Residential Water Supply in India: The Study Background

In common parlance, public water supply through the media of State institutions (such as Municipal Corporations or the State Water Boards) of water governance is a ‘State’[1] subject, constitutionally speaking, in India. “Water is placed in *‘state’* list in the Schedule VII of the Constitution of India; thereby giving each state governments the prerogative to establish its own system of water supply” (Vora *et. al.,* 2013:149).

More precisely, water supply for various purposes is a ‘State’ responsibility under the Constitution of India, and following the 73rd and 74th Constitutional Amendment Acts, 1992, the State may give the responsibility and powers to the Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs). At present, the state governments generally plan, design and execute (and often continue to operate) through their Public Health and Engineering Departments (PHEDs) or as in the case of some states – the Panchayati Raj Engineering Departments or the Rural Development Engineering Departments, and Water Boards (India Assessment Report, 2002:23).

The Central Public Health and Environmental Engineering Organization (CPHEEO), at the central level, acts as an advisory to the concerned state government agencies and ULBs in implementation, O & M of urban water supply utility, sanitation and solid waste management projects and helps to adopt latest technologies in these sub-sectors.[2]

1 The term ‘State’ refers to the government in this paper.
2 *http://www.cpheeo.nic.in* accessed on 9.8.2015.

Governance Challenges in Residential Water Delivery

Urban areas in contemporary times are in the midst of fast socio and economic transformations. The India Assessment Report (IAR) (2002:16) states that, "in the era of economic reforms in the package of Liberalization, Privatization and Globalization (LPG), cities and towns are fast emerging as centres of economic growth." It has become a common experience that the anticipation of higher and higher economic growth in urban areas has been materializing at the expense of local groundwater depletion, contamination of precious natural resource like drinking water, widespread sewage problem, water logging, and increasing salinity levels in consumable water, affecting the population inhabiting large urban areas in different ways.

Public water utilities or agencies in developing countries are routinely criticized for failing to provide satisfactory water service delivery. "Public water utility – a natural monopoly (often large and inefficient), struggle as institution to remedify failed State-led planning models" (Connors, 2005:201). In addition, changes in the demographic structures and transitions of cities due to rapid urbanization, massive rural to urban migration, and globalization in recent years have made the prediction of the future of water a hazardous business. Prominent among the determinants affecting the demographic set-up of a place are the population out-growth and the urbanization process, which in turn, greatly demands new, improved and superior infrastructure for the effective delivery of social goods, such as clean household water.

"The population-water imbalance, widening over the years, is turning into a full-blown water crisis" (Reddy, 2009:17). "It is no wonder then that water conflicts across competing uses and users of water are growing by the day" (Joy *et. al.,* 2008 *in* Shah, 2013:40). Equally important is the fact that "the quality of both surface and groundwater is declining rapidly" aggravating further water crisis in cities (Ballabh, 2008:3). Given the fact that water is a finite resource with multiple uses and users, and with competition among different users intensifying, "the task of balancing different claims and ensuring its efficient, equitable, and sustainable use has become a major problem of our times" (Vaidyanathan, 2006:132).

Further, given the level and the rate of urbanization taking place in the cities in present times, it has been advocated that, "without dramatic technological innovations, institutional change, and substantial new investment in water sector, cities today are projected to face an even more sizeable 'water gap' than that of today" (Conca, 2006:1).

India's finite and fragile water resources are stressed and fast depleting, while sectoral demands (domestic, industrial, commercial, construction and others) are growing rapidly in line with 'urbanization, population increase, rising incomes and industrial growth' (IAR, 2002:15). The general situation of water availability for the domestic purposes has become quite precarious in recent years, especially in the coming up of the new cities and mega cities in India (IAR, 2002:16).

"Water security is indispensible for addressing inter-regional and intra-regional as well as inter-household inequalities in growth and development and sustaining the ecological balance" (Reddy, 2009:239). The 'water security' in the urban areas has gradually been converted into a remote dream for the majority of the human population. Water security means that "communities have reliable and adequate access to water to meet their different needs, present as well as in future, are able to take advantage of the different opportunities that water resources present, are protected from water-related hazards and have fair recourse where conflicts over water arise" (Soussan, 2002 *in* Reddy, 2009:18). "Such water security ensures equity and sustainability" (ibid.).

However, equity and sustainability in water distribution to the end-users of public water are increasingly becoming a far-fetched dream in the contemporary urban settings. The problem of water scarcity is aggravating across space and it is more so happening in the urban areas. The most common experience in the urban cities in India today is the limited water supply with “intermittent and unreliable water supply, poor water quality, unresponsiveness and helpless administration, a grossly inequitable distribution of available water over different areas and among water consumers” (Iyer, 2007:22).

Especially, the inadequate coverage of the water beneficiaries under the public water system is a case in point. According to Iyer (2007:24), “due to inadequate coverage of the water consumers through the institutionalized piped networks, the urban citizens are often forced to buy water at much higher rates from the private sources.” This phenomenon is not only confined to the rich, even the poorer sections of society are accustomed to the practice of buying expensive water from the non-State agencies.

The flourishing of the non-State or the private/informal domestic water suppliers in terms of providing domestic water to residents has gradually becoming a pervasive trend in the contemporary urban scenario. The new urban set-up is increasingly allowing the co-existence of both the formal and the informal water supplies to the consumer end. The situation of informal water trade that is frequently observed in urban areas requires a holistic approach towards scrutinizing the State governance policies and planning regarding residential water supply.

Water Crisis or Water Governance Crisis

“The world is facing a serious and worsening global water crisis, and so is India” (Vaidyanathan, 2013:ix; Iyer, 2003:2). The crisis in water leads to the genesis of the governance of water. “Water governance means the combination of political, social, economic and administrative systems targeted at developing and managing water resources, and the delivery of water services, at different levels of society” (Rogers and Hall, 2003:7).

“The understanding of governance of water begins with defining the crisis and dilemma of water resources development” (Iyer, 2003 *in* Ballabh, 2008:8). At the 2000 World Water Forum (WWF) in The Hague, the Global Water Partnership (GWP) stated that “the water crisis is often a crisis of governance, and making water governance effective as one of the highest priorities for action” (Rogers and Hall, 2003:15).

According to Ballabh (2008:45), “water scarcity, has been traditionally understood as being primarily a natural disaster caused by lower than expected precipitation.” “It is God given – as is argued – and, thus, beyond our control” (Ballabh, 2008:45)… “This greatly puts physical limits to the quantum of water available for tapping” (ibid.). It cannot be however denied that water scarcity is more generally created by the contribution of human induced factors – factors that interfere with nature or ecology and mismanagement of available water for consumption.

“It is often maintained that looming water scarcity in the face of urbanization and rapidly industrializing economy has come up at a time when the potential sources of augmenting supply is limited, water tables are fast falling, and water quality issues have increasingly come to the fore” (Shah, 2013:40). “A general perception of geographers and of urban planners is that agencies in urban areas would not be able to expand supply to meet the growing demand because of inherent poor governance structure or inadequate co-ordination among relevant agencies” (Kumara, 2013:203). As a matter of fact “as cities grow and thrive without adequate water supply, these gradually become reliant on groundwater, or face frequent water shortages, stifling further growth” (Kumara, 2013:204).

“Groundwater systems have become the ‘lender of last resort’ and depletion of groundwater stocks consequently becomes the first indicator of water scarcity” (Shah and Indu, 2004 *in* Shankar *et. al.,* 2012:37) in cities today. “Beyond a certain level of urban growth, a lack of water resources could slow down development and constrain further urbanization, a carrying-capacity based threshold which some call a water resources constraint” (Srinivasan *et. al.,* 2012:230).

The water scarcity problem in urban areas, as said earlier, is often traced in the inherent institutional set-up, that is observed in the form of unsatisfactory water delivery mechanism in the form of poor and dilapidated infrastructure and technical and managerial bottlenecks in water distribution. The mismanagement of water resources certainly causes water scarcity on the part of the ‘governance apparatus of the State’ in terms of its delivery system. “The growing scarcity and ineffective institutional arrangement in order to capture, allocate/distribute water compounds the water crisis” (Ballabh, 2008:10). Water crisis, therefore, is the maximum extent at which the water scarcity can occur.

“There are several aspects or dimensions to understand the concept of water crisis” (Iyer, 2007:41). To prove his point, Iyer (ibid.) cites a set of rather unfortunate developments (in terms of State policy and planning) in the water sector that culminates into the full-fledged water crisis situation. These are: *(a)* “grossly inequitable distribution of the available water” *(b)* “the distressed state of our rivers and groundwater aquifers” *(c)* “the decline of traditional water management and conservation systems” *(d)* “the disappearance of once-numerous water bodies” *(e)* “the damage to ecological systems from the interventions in the form of water resource development – it happens not merely from the wrong notion of development and ecological blindness, but also from centralized, techno-centric, non-democratic, non-consultative decision-making” *(f)* “decisions inflicted in the form of inequity and injustice in the provision of water to poor, disadvantaged communities, women, tribals and others”, and *(g)* “the uncontrollable, unmanageable generation of waste of all kinds, and the consequent reduction in the availability of water”.

Strongly enough, from the reasons put forth by Ramaswamy R. Iyer, the causes of the water scarcity are apparently humanly constructed, and hence water crisis is not a ‘natural’ crisis. With the rapid urbanization and massive migration of population to cities subordinated by the lack of proper city planning, there is the case of simultaneous enlargement of water demand and destroying supply sources.

The notion of ‘water crisis or crises’ could have different perceptions for institutions and individuals. For instance, for a public water utility, it could be the crisis of availability of water for the distribution. Iyer (2007:42) enlists multiple perceptions of the water crisis. According to Iyer (ibid.) “to a neo-liberal economist the crisis is one of the failures to recognize water as an ‘economic’ good and the absence of a clear delineation of property rights in water.” This leads economists to look at the water demand management policies including optimal pricing for the demanded water; with the rational expectation that consumers will adopt certain domestic methods for judicious use of public water. Iyer (2007:42-43) mentions a number of interpretation of water crisis.

Iyer refers to Vandana Shiva’s opinion on the issue of water crisis. According to Vandana Shiva (ibid.), “the central crisis is one of the loss of control over natural resources both by the civil society and the State to corporate interests, the conversion of a common pool resources and a basic need and right into commodity governed by market forces, and the intrusion of the profit motive into an area where it has no legitimacy.” She completely deplores the absence of “water democracy” (ibid.).

“The popular perception of a citizen is that urban areas are fairly better governed with regard to water supply, sanitation and other public amenities” (Kumara, 2013:203). However, the perception of well serviced cities hides the harsh reality of gross inequalities. According to the National Sample Survey (NSS) Report, 2012, of the Government of India on ‘Housing Conditions in India’, 22 cities with more than a million people, had slum population ranging from 10 to 54 percent of their total population, lacking basic amenities including water. “There are large gaps among demand and supply of urban services such as water, sanitation, sewage disposal, solid waste management, public transport, and similar other civic provisions by the State” (Kumara, 2013:203).

It can be said at this point, that supply of water to residents often fails to meet the demand, therefore producing a situation of water scarcity that can be localized or is more geographically widespread. However, “without denying the important climatic, geological and hydrological factors, the primary cause determining scarcity is the way water is actually managed” (Rees, 1982 *in* Ioris, 2011:613). Yet in other words, “water scarcity is a relational condition that arises out of socio-natural interactions in time, space and scale” (ibid.). The observed pattern of frequent water shortages in cities today, is however, a function of the larger set of water scarcity.

Therefore, “water scarcity is synergistically connected with multiple other material and socio-political deficiencies which concurrently produce the total experience of scarcity” (ibid.). The persistence of water scarcity in any area-specific location provides an important entry point to look into the kind of governance policies on one hand, and socio-economic developmental paradigm in practice, on the other hand. In the present study, the Gurugram region of India is selected as a case study, to explore the broad causes for the residential water scarcity (discussed in the subsequent sections) in relation to Gurugram.

Background of the Study Area

Gurugram, also known as *Gurgaon*[3], is a district which falls in the southernmost region in the Indian state of Haryana. It is one of the nine districts of Haryana included in the National Capital Region (NCR) of India. Therefore, Gurugram is a sub-set of the broader NCR. The location of Gurugram district in NCR is considered economically and strategically significant given the fact that it adjoins Delhi, the national capital of India. Being proximity to Indira Gandhi International Airport (IGI-A), New Delhi, added with a predominantly better rail and Delhi metro rail connectivity with adjoining areas, Gurugram has witnessed a rapid industrial as well as commercial development.

In contemporary times, Gurugram is seen as one of the fastest growing mega cities of India under the wave of globalization and private capital. As a result of the New Economic Policy (NEP) of the Government of India initiated in 1991-92, Gurugram has increasingly, become the Information Technology (IT) and Information Technology Enabled Services (ITES) hub, and centre of a plethora of various Business Processing Outsourcing (BPO) and Knowledge Processing Outsourcing (KPO) companies (Prakash *et. al*., 2011).

Gurugram has been on a faster track of economic development and has consequently emerged as a leading destination of industrial and financial activities over more than the last two decades. It is the headquarters of the two biggest automobile manufacturers in India – Hero Honda and *Maruti Udyog.* Gurugram city symbolizes Haryana’s increasing prosperity in contemporary times, and therefore, Gurugram is synonymous with the notion of sustained economic growth and increased productivity. This is obvious from the fact that the per capita income of the residents of Gurugram is the third highest in India, after Chandigarh and Mumbai (Bhel, 2009 *in* Singh, 2013).

In present times, Gurugram has been witness to an unparalleled expansion within itself (core) and towards its peripheries. This has become possible because, Gurugram has become one of India’s

3 In this paper, Gurugram and Gurgaon are interchangeably used.

biggest financial centres on the back of easier land acquisition policy and with the private initiatives undertaken mainly by the Delhi Land and Finance (DLF) company, one of the largest commercial real estate developers in India, making all attempt to make its residential and commercial complexes as independent as possible (ibid. p.2). There has been an advent of a series of private players/developers in the real estate sector leading to a boom in the construction sector business in Gurugram. Today, Gurugram is an urban landscape of 43 malls, 9 golf courses, a dozen five-star hotels, 30 of Haryana's 34 ITs and bio-tech Special Economic Zones (SEZs), and over a hundred Fortune 500 companies, apart from a vast majority of residents (Ahuja, 2011 *in* Cowan, 2015).

Undoubtedly, the private induced investment in creating world class infrastructure in Gurugram is impressive, and therefore, Gurugram is apparently recognized worldwide as the 'Singapore of India'. Gurugram model of development is exemplary in itself in bringing up a township where the State's initiative of involving private sector in the process of urban development has been successful. The drivers of urban growth of Gurugram could be safely attributed to a plethora of endogenous factors such as the favorable tax policy by the Haryana government, improvement in the city's infrastructure by the Haryana Urban Development Authority (HUDA), and most importantly, the need to create a world class business centre close to IGI-A, New Delhi (Prakash *et. al.,* 2011).

The model of HUDA under which a number of integrated cities in India, have been developed through Public-Private-Partnership (P-P-P), Gurugram has emerged as the most successful of these, with the country's largest private sector integrated township DLF City being established here (Gupta, 2012). Gurugram, infact, is two cities living in a bigger ecosystem – the Old Gurugram and the New Gurugram areas (Kait, 2013). While the Old Gurugram has poor infrastructure and is very congested, the New Gurugram is a complete contrast with skyscrapers and well planned development (ibid. p.192). The present Gurugram is more of a metropolitan city than a modern township, encompassing settlements around the original city, and expanding even further in neighborhood.

In present study, Gurugram as a sample district in the state of Haryana has been chosen as case study because of the "paradoxes of development emerging in its growth from a small sleepy village to a global city in a small period of ten years" (Singh, 2013:19). "One such developmental paradox is the growing water insecurity among the residents of Gurgaon." (ibid. p.20).

Problem Background

Following the evidences from various secondary sources[4], the author has found that one of the problems seems to be the under-provisioning of residential piped-water by the HUDA, in face of rapid urbanization, population out-growth and increasing expansion towards its periphery areas of Gurugram. On one hand, Gurugram provides an urban space rather a fertile urban space for realizing higher and higher economic growth and thus rising incomes of its citizens, on the other hand, there are rising instances of acute shortages of basic civic amenities in Gurgaon, despite been categorized as a world class city (CSE Report, 2011; 2012).

Institutionalized piped-water shortage is Gurgaon's most pressing problem which needs immediate attention by the State authorities (Rich, 2014 *in* Deamer, 2014). Parallely, on the other hand, the locally available groundwater has been used at an alarming rate by multiple users in Gurgaon (CSE Report, 2012:118). The research problem, therefore, is to understand the reasons that account for such scenario. The under-provisioning of essential civic amenity such as domestic water to residents have interconnectedness with the governance apparatus of water service delivery in Gurugram *(secondary*

4 Evidences are mainly drawn from the Centre for Science and Environment (CSE) Report of 2011-12, and from the Media Content Analysis of increasing instances of residential water shortages in Gurugram, done by the author as part of the thesis work.

sources). Therefore, the major research problem in hand is to explore the nature and extent of governance linkages in terms of residential water scarcity in relation to Gurugram.

Institutional Arrangement of Residential Water Supply

HUDA is the nodal agency of the government of Haryana engaged in water delivery to residents of Gurugram. One should, however, remember that HUDA is not an exclusive water utility or water board; rather it is a State-sponsored city development agency of Gurugram, with water delivery to residents as one of its various assumed roles. Gurgaon sources of water, essentially comes from the Yamuna River *Tajewala* headworks near *Yamunanagar.* The water comes through the Western Yamuna Canal (WYC) near *Sonepat* and then through the 70 km Gurgaon Water Supply (GWS) Canal from *Kakaroi* village to *Basai* village in Gurgaon (CSE Report, 2011: 118). *Basai* village has HUDA's WTPs. Apart from *Basai* WTPs; there exists an additional WTP in *Chandu Bhudera* village. The GWS Canal is designed to carry almost 245 Million Litres Daily (MLD) of water at the head at *Kakaroi* village. Around 50 percent of the transported water is lost in transit through evaporation and diversion to villages and a township *en route* (CSE Report, 2011: 118).

At this stage it becomes apparent to explore the institutional arrangements of residential water supply in Gurgaon. Originally, according to CSE Report (2011:117), the residents of Gurgaon receive water from two main agencies depending on the administrative divisions. These are: *(i)* The PHED, responsible for the old city area (municipal limits) water supply, and *(ii)* The HUDA takes care of water supply in the new city (HUDA sectors and other private colonies). These two agencies shared water supply to Gurgaon's residents in a symbiotic relationship. "HUDA is the sole authority for the raw water sourcing, treatment and distribution to the HUDA Sectors" (CSE Report, 2011:117). "HUDA gets its water directly from the State authority, and PHED used to get bulk water transfers from HUDA" (CSE Report, 2011:117).

HUDA has geographically divided the city into three sub-jurisdictions with respect to residential water supply. These are – *(i)* Phase 1 covers Ansal's *Palam Vihar* and the HUDA Sectors to the west, including Gurgaon town, *(ii)* Phase 2 covers the major colonies and HUDA Sectors in the east, and *(iii)* Phase 3 covers DLF IV and DLF V colonies, *Sushant Lok* colonies II and III, the South City II, and HUDA Sectors 45, 55, 56 and 57. The PHED, while functioning, on the other hand, had divided its areas into 11 water supply zones (CSE Report, 2011:118). After the year 2000, HUDA developed some more sectors, from 57 to 115[5].

"On 1 October, 2013, the MCG took over the water supply of Gurgaon from the PHED." (Rajagopalan and Tabarrok, 2014:210). "The MCG will now be responsible for the water supply in the entire MCG area, excluding HUDA sectors, private builder areas/colonies, and the HSIIDC areas" (Rajagopalan and Tabarrok, 2014:210). Of late, the MCG was constituted in June 2008; the elections of the Municipal Corporation first took place in 2011, and therefore, people representatives were elected in May 2011[6]. "The MCG is divided into four Zones, namely, Zone 1, 2, 3, and 4 (known as West, North, East and South respectively) and 35 wards. "Apart from these zonal divisions, there are 28 villages under the jurisdiction of the MCG for infrastructural maintenance and development."(Kait, 2013:192).

The Problem of Water Deficit and Easy Access to Groundwater

According to the CSE Reports of 2011 and 2012, there is a considerable water demand-supply mismatch[7] in Gurugram, which the author finds that, this demand-supply gap inevitable given the rate of urbanization and expansion of Gurugram. Further, one of the consequences of the official water supply deficit is residents' excessive dependant on groundwater as alternate source of domestic water.

5 *Hindustan Times,* Gurgaon edition, 5.3.2014, p.12.
6 MCG: *www.mcg.gov.in* accessed on 5.8.2015.
7 93.05 MLD

“In Gurgaon, Delhi’s prosper neighbour, there is a huge groundwater crisis” (Vasudevan, 2013:119). “According to Vasudevan (2013:120), “all of Gurgaon’s shopping havens run on groundwater.” This implies that groundwater which is the major alternate source of water in Gurugram is also fast dwindling.

The Governance Linkages to Residential Water Scarcity

Gurugram’s Governance in Practice

Thomas Cowan (2015:64) *cites* Searle (2010), “…rather than consisting of any public, unitary whole; today, Gurgaon is constitutive of a variety of fragmented and divided zones where residents live in deep yet distant co-dependence.” Further, Thomas Cowan (2015:64) says that “the city (Gurgaon) is divided between territorially distinct sovereigns; the private developers govern, with the assistance of the RWAs within the boundaries of their colonies predominately to the South-East of NH-8, the HUDA is responsible for their own colonies along with service infrastructure to the boundaries of the private colonies, industrial areas are the responsibility of the HSIIDC, while existing villages are largely governed by the MCG.” “The private developer sections of the city are also serviced by a network of premium infrastructure including private water supplies etc.”(Cowan, 2015:64).

Interestingly, the presence of too many civic agencies in Gurugram is problem in itself rather than ‘problem-solving’ oriented institutions. Kumar (2014) reports that “multiplicity of (civic) authorities in Gurgaon’s urban areas like the MCG, the HUDA, the HSIIDC, and the DTCP – affiliated to HUDA, with overlapping jurisdiction, is more frequently used as a tool to evade responsibility and accountability, eventually creating a civic mess in the city”[8]. Eventually, “the multiple civic deficiencies plague Gurgaon, be it lack of water, decreasing water table, poor infrastructure maintenance and planning, poor protection or conservation of natural resources” (CSE Report, 2011).

Gurugram’s Transformation: Planned/Unplanned or Flexibly Planned

From a rural non-descript prior to 1977 to a fastest growing urban centre in contemporary India, Gurugram has been able to thrive in the midst of the wave of post-liberalization economic growth and has increasingly become the major commercial hub of the country. “The key element in Gurgaon’s explosive growth was the State of Haryana’s lifting of restrictions on the land acquisition process and the unusual lack of local government in Gurgaon” (Rajagopalan and Tabarrok, 2014:201). “The land acquisition was meant primarily for non-agricultural uses” (Morris and Pandey, 2009 *in* Rajagopalan and Tabarrok, 2014:201; Palit and Bhattacharjee, 2008).

The process of “conversion of agricultural land to non-agricultural ones follows directly from the colonial-era Land Acquisition Act of 1894, which allows the Federal or the State governments or parastatal agencies to acquire land through the doctrine of ‘Eminent Domain’ for any ‘public purpose or for a company’ under Section 4(1)” (Rajagopalan and Tabarrok, 2014:201; Chatterji, 2013:274). “Similar provisions also exist in the recently introduced Land Acquisition Act of 2013.”(Rajagopalan and Tabarrok, 2014:201).

It should however be noted that “the term ‘public purpose’ is not defined in the Act, though such ‘public purpose’ is illustrated by heads such as provision of land for village sites, planned development, public offices, education, health and other schemes sponsored by the government…” (Singh, 2004:20).The public purpose of land acquisition in Gurgaon by the State is preferably for the planned development in the NCR region.

“The State government of Haryana passed several laws, like the Haryana Development and Regulation of Urban Areas Act of 1975 and the Haryana Urban Development Act of 1977, to enable large-scale land acquisition for private firms to develop modern townships” (Rajagopalan and Tabarrok, 2014:203).

8 *The Hindu* e-paper, 24.11.2014.

“Since the land in Gurgaon was considered mostly unproductive and sparsely populated, few objected to converting it into non-agricultural use” (Debroy and Bhandari, 2009 *cited in* Rajagopalan and Tabarrok, 2014:203).

“Gurgaon’s recent development is well known as the brainchild of visionary real estate developer *Kushal Pal Singh,* founder CEO of DLF Universal” (Mital, 2007:49), “who in the early 1980s took advantage of developer-friendly building regulations (the Haryana Ceiling on Landholdings Act, 1972, and the Haryana Development and Regulation of Urban Areas Act, 1975) and ambiguous, malleable zoning controls, to acquire vast tracts of land directly from villagers in the then agricultural region of Haryana” (Gururani, 2013:12-13; Cowan, 2015:64). “Later the Haryana SEZs Act, 2005, made further exceptions and relaxation in the land acquisition process” (Rajagopalan and Tabarrok, 2014:203). “From the perspective of the State, the Haryana Urban Development Act, 1977, led to the establishment of HUDA, a unified agency that would co-ordinate town and estate planning” (Rajagopalan and Tabarrok, 2014:203).

In contemporary times, “Gurgaon is a city which shows a sketch of rural-urban dichotomy” (Gururani, 2013:119). “The entire city of Gurgaon is materially and symbolically under construction, waiting to be developed, mapped, and unmapped” *(ibid.)*. “As anyone will tell you, Gurgaon has been noticeably under construction for almost three decades now” *(ibid.)*. This postulates the kind of urban planning that is under execution in Gurugram and connotes the notion of the state of urban planning affairs.

Shruti Rajagopalan and Alexander Tabborak (2014) maintain that “Gurgaon was built without benefits of planning, and its failures – most notably poor and inefficient provision of water, sewage and electricity – are a warning.” According to them, “the failures all stem from high transaction costs, Gurgaon’s private developers have simply not managed to ‘Coasean bargain’[9] and internalize externalities.” (Rajagopalan and Tabarrok, 2014:203). “It is clear from Gurgaon that cities need advance planning – a reservation of rights of way of water, sewage and electricity at the very minimum – but does the planning have to be provided by government which is often incapable of such foresight?” *(ibid.)*.

Gurgaon, as described by Tathagat Chatterji (2013:274), “is a graphic manifestation of ‘fragmented-praxis’ emerging out of the selective ‘first-worlding’ of the urban space in developing cities, occurring as a result of the contemporary processes of neo-liberal globalization”. According to a *New York Times* article, “…it is a miniature representation of post-liberalization India, epitomizing dynamism amidst civic dysfunction” *(ibid.)*.

Chatterji (2013:275) adds that “research on Gurgaon thus provides a different perspective – a more nuanced view on the role of non-State actors in India’s urban governance.” “To a considerable extent, pressing day-to-day problems due to planning and infrastructure deficiencies have differentiated the engagement pattern between the middle class residents of Gurgaon and the State authorities from other rapidly globalizing cities of India”(Chatterji, 2013:275). “The graphic manifestation of tensions and conflicts is evident in the transformation of Gurgaon from a rural hinterland to the northern India’s prime elite ‘lifestyle’ destination, but this makeover is not linear, rather marked by place-specific social and political dynamics (ibid.).

Scholars like Shubhra Gururani, asserts that “Gurgaon manifests a different sort of planning that incorporates flexibility and systematically accommodates the desires and demands of the wealthy and political elites” (Gururani, 2013:121). By flexible planning, she means “a planning encompasses a range of political techniques through which exemptions are routinely made, plans redrawn, compromises made, and brute force executed” (ibid.). “It is not a random act, but a cultural logic that offers access

9 This term says that “if one assumes rationality, no transaction costs, and no legal impediments to bargaining, *all* misallocations of resources would be fully cured in the market by bargains.” Calabresi, 1968:68.

to material and discursive maneuvers of State power, legal and extra-legal networks, and relations of influence (ibid.). “Flexible planning is a critical component of urban governmentality and is readily deployed to inscribe the social geographies of cities like Delhi and Gurgaon” (ibid.).

“Gurgaon as a whole, from the perspective of the plan (flexible) is an illegal settlement, not because it is surreptitiously occupied by the urban poor, but because it is boldly secured through class power, political allegiances, and more recently, global capital” (Gururani, 2013:121). Gururani (ibid.) termed Gurgaon settlement as “sanctioned illegality”. Gurgaon, in Anna Tsing’s (2205:28) words, “a frontier, an edge of space and time; a zone of not yet – not yet mapped, not yet regulated. It is a zone of unmapping; even in its planning.” “It is being imagined as it is being planned and unplanned” (Gururani, 2013:120). In a nutshell, according to Gururani *(ibid.)*, “Gurgaon is a frontier of liberal capitalism.” According to Bhattacharya and Sanyal (2011), “Gurgaon is an experiment in city-making through P-P-P, a project which seeks to bypass the everyday obstructions and subversions of existing urban settlements and produce rational spaces for fertile for the production of global identity and capital” (Cowan, 2015:63).

The Monopolist State or the Passive State

The Schedule 12 of the Constitution of India, created by the 74th Amendment Act, 1992, granted statutory status to ULBs as the third-tier in representative democracy and gave them authority over urban planning, including “regulating land use, developing roads and bridges, managing water supply and solid waste apart from other local governmental activities” (Rajagopalan and Tabarrok, 2014:203-204; emphasis added).

Gurgaon was administratively split from the Faridabad district in 1979. At that time, “Faridabad had a sound industrial base, had a municipal government, while Gurgaon had largely been barren, with no local government, public utilities or public transportation” (Rajagopalan and Tabarrok, 2014:201). Originally, therefore, “Gurgaon did not have either municipal government or any other ULB, responsible for the urban planning and public goods provisioning.”(Rajagopalan and Tabarrok, 2014:203-204).

Bibek Debroy and Laveesh Bhandari talks about – “Why no Municipal/ULB was created in Gurgaon in the initial years of its growth?” (Debroy and Bhandari, 2009:19). Based on the 1991 Census of the Government of India, Gurgaon did not meet the criteria of the Ministry of Urban Development for a ULB, nor did the State government of Haryana declared Gurgaon as an urban area – that is, “population of over 50000 between the two consecutive Censuses of 1991 and 2001” (Debroy and Bhandari, 2009:19; Rajagopalan and Tabarrok, 2014:204). Therefore, “Gurgaon slipped through the cracks and was not categorized as an urban area until 2001, when the new categorization mandated that Gurgaon create a Municipal body only in the year 2008” (Rajagopalan and Tabarrok, 2014:204).

The end result: In the absence of an ULB in Gurgaon, the Chief Minister Office (CMO) has the key veto power in all development activities in Gurgaon, “ranging from allowing land conversion to granting licenses to private land developers, which consequently landed in unwarranted nepotism, lobbying and rent-seeking practices” *(ibid.)*. Importantly, the Chief Minister is also the chairman of HUDA. Hence, Gurgaon was governed by a monopolist, the CMO. “Centralized control reduced transactions costs and also incentivized the CMO not to raise the toll rates so high as to kill the goose” (Rajagopalan and Tabarrok, 2014:203-205).

Rajagopalan and Tabarrok (2014:203-205) maintain that this kind of institutional framework in Gurgaon has only resulted in monopoly corruption and serial, competitive corruption, ultimately landed into the institutional inefficiency and crisis, demands greater legitimacy and accountability of the State of its responsibility towards citizens (emphasis added). “This has eventually resulted in filing several public interest litigations and day-to-day protests by citizen groups such as residents’ welfare associations in Gurgaon” (Gururani, 2013:120).

It is maintained otherwise that “wise and forward-thinking political institutions and actors can greatly reduce the cost of the urban transition by planning and reserving, in advance of development, space for future streets, sewage, electricity, water and public parks” (Rajagopalan and Tabarrok, 2014:199). Shruti Rajagopalan and Alexander Tabarrok’s study of Gurgaon in 2014, account for the “failure of the State to provide essential public goods and urban planning and the extent to which the private sector can take over such provisioning in context of Gurgaon” (Rajagopalan and Tabarrok, 2014:200). They assert that in Gurgaon, the private sector has been filling many gaps in civic amenities left by the failure of the State. Nevertheless, “gaps in water provision might be too large to be filled by the private sector.”(ibid.).

Debroy and Bhandari (2009:22) argues that “the high incomes of the residents of Gurgaon cannot solve some of the fundamental public infrastructure requirements like water, sewage, roads, transport, power” and so on, as the passive nature of the democratic governance institutions could not be substituted entirely by the private sector. Debroy and Bhandari (2009:22) add that “monopolistic markets cannot yield optimal outcomes”.

One basic reason is the absence of the competition in the private provision of public good in other areas/regions/states adjacent to Gurgaon. Therefore, such markets solutions cannot be efficient. On the other hand, the existence of a democratic institution such as the MCG, would also not have been necessarily a ‘first best solution’ if it was characterized by poor practices, lack of internal or external coordination with other civic bodies, low responsiveness to changing economic conditions and so on *(ibid.)*; emphasis added).

Lack of Accountability, and Coordination among the State Civic Agencies

To begin this section in the words of K.C. Sivaramakrishnan, “in any city (in India), big or small, if the question is asked ‘who is incharge of this city’, the answer is painfully simple, ‘no one’.” (Choudhury, 2012:1). And such is the case with Gurgaon city. “In terms of ‘governance’ presence, Gurgaon falls into the jurisdiction of several planning agencies, namely, HUDA and DTCP at the state level, and MCG at the city level” (Goldstein, 2015:13).

As mentioned earlier, the MCG was created in 2008, however its authority and area of jurisdiction is limited. Only the old Gurgaon (about 35 Sq. km), which was previously under the Municipal Committee, and 37 village pockets, which were previously under the *panchayats* are now under the direct control of MCG (Rajagopalan and Tabarrok, 2014:206).

Rajagopalan and Tabarrok *(ibid.)* along with Goldstein (2015:13) reports that “on paper, once HUDA or private developers build civic infrastructure, they hand over it to the MCG for its future maintenance, however there is no time-frame or agreement between the different civic bodies on how to account for the civic work undertaken.” According to Goldstein *(ibid.)* “…while there have been plans in the works to transition many of the responsibilities of the DLF Developers to the MCG, there is no set time-frame for when this will take place.” There is no clear link between the HUDA and the citizens on development and maintenance of HUDA areas.

Singh (2012) *in* Rajagopalan and Tabarrok (2014:207) writes that “if citizens wish to complain about the lack of water or sanitation, garbage disposal, and other infrastructure demands in HUDA areas, they have no redress mechanism, while the MCG has a clear redress mechanism, but no authority.” “HUDA is only creating new water boards and MCG to have more bodies to blame.”(Rajagopalan and Tabarrok, 2014:210). “It is always unclear in Gurgaon - which agency or department is the real responsibility of public utilities infrastructure maintenance lies upon.” (Goldstein, 2015:13; Rajagopalan and Tabarrok, 2014:207).

“All planning appear to be overlapping, which has created governance crises for residents and the developers, seeking ‘an accountable’ public agency to enforce disputes” (Goldstein, 2015:13). “Ultimately, the State is most visible in the petition office and the courts” (Goldstein, 2015:13). Cowan (2015:63) maintains that “the State in Gurgaon utilizes informal governmental logics to flexibly inscribe value to particular citizenships within a fragmented space, outsourcing authority to *de facto* sovereign actors who arbitrarily administer ‘conditional…situational’ (Ong, 2006) urban citizenships.”

Eventually, there is a haphazard nature of Gurgaon civic authorities which often culminates into inter-institutional conflicts and ends into ‘absolute no coordination’ on public goods provisioning, among which “water and sewage management are the biggest problems faced by Gurgaons’ residents” (Rajagopalan and Tabarrok, 2014:207). Therefore, the theoretical understanding of governance of Gurugram reasonably points towards an urban space with improper vision of planning and lack of public services.

Discussion

The study shows that the transformation of Gurugram and the simultaneous lack of water resources while it grows were not envisioned by the State. The underlying reasons are well established while analyzing the governance structure and the methods of governance. Ideally, the story of Gurgaon presents how the State through its various actors of local governance have acted otherwise to make it a city of vested interests of the elites – be it the administrators or the private builders. More importantly, the analysis gives a clear picture to the reader of the repercussions of such unwarranted transformation of Gurugram. On such repercussion is the residential water scarcity in light of abnormal growth of State functionaries and residents’ dependant on groundwater.

Consequent to this is the fact that the multiple agencies has led to the creation of civic mess in Gurugram. The analysis also additionally indicates that residents of Gurugram are not contented with the way civic managers are functioning. The residents aptly feel that there is no accountability of governance of civic amenities. In a sense, this study indicates that the lack of responsibility in provision of water to residents leads to water scarcity in Gurugram. Further, it study shows how the development discourse of Gurugram has been highly challenged by the governance linkages in creating infrastructure for its normal and sustained growth.

The study, therefore, points a series of linkages which get manifested in one form or the other, rather originates in the very processes of governance mechanism of Gurugram, to the growing residential water scarcity. This study eventually seeks an answer to the question, what will happen to a city which builds itself, and accommodates only the vested interests of a few. The answer lies first and foremost, with the way governance structure of the city is build upon, and the intention of the State in proper planning and execution in nurturing it.

Conclusions and the Way Forward

The governance linkages to the residential water scarcity in Gurugram are multifaceted in nature, form and character. The general residential water deficiency in Gurugram, however, cannot merely be seen as ‘water supply deficit’ problem in the first place, but can mainly be accounted to the ‘governance deficit’ in water supply management and distribution. The study reveals that the residential water scarcity in Gurugram is less of resource (water) constraint and more of water governance chaos.

The governance chaos can be seen in terms of lack of responsibility on the part of the State in resolving water problems and creating an ambience for advancement of certain norms or rules for effective water governance. The study aptly shows the fact that there is a serious ‘governance crisis’ in water service delivery to the residents of Gurugram. The study of residential water in Gurugram provides one way of looking the fallacies of the State's urban planning paradigm currently in practice. Gurugram cannot be a role model city for other cities to follow; rather the author finds Gurugram a classic example of development paradox.

On one hand, it is known by various epithets such as 'Singapore of India', but unlike Singapore[10], Gurugram has failed to create even basic infrastructure for water provision for its residents. The success of Singapore's experiment in tackling water scarcity in terms of its demand and supply sides innovations has enabled the State to deliver safe, efficient and effective water supply in order to meet present and future water demand projections.

In the study of residential water delivery, one of the many civic components of urban governance, questions the sustainability of contemporary cities such as Gurugram. The haphazard development of Gurugram challenges the future carrying capacity of the city in terms of sustained growth and development. Thus, the author observes that Gurugram provides an excellent case study of a city where the State's experiment in making it a global city at a global standard has failed at several local fronts. Precisely, State's failure in providing a basic civic amenity (water) to citizens is one indication of its planning failure. Gurugram experiment reveals many lessons to be learnt at various stages of civic governance or rather mis-governance for a wide variety of stakeholders for deep introspection.

There are institutional/governance gaps that need to filled-up by the State so that the governance of water should be effective, efficient, satisfactory and sustainable. Foregrounding advances in water innovations and sustainable urban water management strategies in Gurugram requires a holistic approach to deal with the governance deficiency. The problems of institutional fragmentation, bureaucratic inefficiencies, lack of willingness or incentives and undefined organizational mess need to be corrected. Without addressing the institutional loopholes, it becomes futile to improve the residential water supply governance system in Gurugram. In nutshell, the governance apparatus of Gurugram needs to acknowledge its rights and duties towards its residents in water provisioning. This can only happen, at least, in the case of Gurugram that the State must correct its urban governance policy failures so as to make Gurugram 'a true global city of India'.

References

Ballabh, V. (2008). *Governance of Water: Institutional Alternatives and Political Economy,* New Delhi: Sage.

Baviskar, A. (2007). *Waterscapes: The Cultural Politics of a Natural Resource,* Ranikhet-Uttarakhand (India): Permanent Black.

Bedi, J. S. (2014). Urbanization, Development and Housing Requirements in the National Capital Region, Background Paper on Issues related to Land Economics, *NCAER Working Paper No. 105*.

Calabresi, G. (1968). Transaction Costs, Resource Allocation and Liability Rules: A Comment, *Journal of Law and Economics*, 11(1), pp: 67-73.

[10] Singapore, once a water scarce nation, used to import water from Malaysia, exemplifies others facing water shortages, by devising a holistic approach towards securing a safe and sustainable water supply. In order to tackle Singapore's water shortage, the State through its Public Utilities Board (PUB), felt the need to revamp and rejuvenate its capabilities and investment in water research and development to introduce "new technologies, innovative and large-scale water solutions, best management practices along with a fine balance of water supply and demand management tools", *http://centres.insead.edu/innovation-policy/events/documents/Singapore-WaterShortage.pdf* accessed on 4.7.2016.

Centre for Science and Environment-Anon Report. (2011). *71-City Water-Excreta Survey, Indo-Gangetic Plains Gurgaon,* New Delhi: Centre for Science and Environment.

Centre for Science and Environment Report (2012). *Green Building*. New Delhi: Centre for Science and Environment.

Chatterji, T. (2013). The Micro-Politics of Urban Transformation in the Context of Globalisation – A Case Study of Gurgaon, India, *Journal of South Asian Studies*, 36(2), pp: 273-287.

_________. (2015). *Citadels of Glass: The Story of India's New Suburban Landscape,* New Delhi: Westland.

Choudhury, R. (2012). No Wonder Gurgaon Revolting, *The Wall Street Journal*, *India Edition*, July 6, P: 4.

Conca, K. (2006). *Governing Water: Contentious Transnational Politics and Global Institution Building,* Cambridge: The MIT Press.

Connors, G. (2005). When Utilities Muddle Through: Pro-Poor Governance in Bangalore's Public Water Sector, *Environment and Urbanization*, 17(2), pp: 201-217.

Cowan, T. (2015). Fragmented Citizenships in Gurgaon, *Economic and Political Weekly*, 50(26 & 27), pp: 63-75.

Debroy, B. & Bhandari, L. (2009). Gurgaon and Faridabad – An Exercise in Contrasts, *CDDRL Stanford Working Papers No. 101*, Freeman Spogli Institute for International Studies.

Economic Survey of Delhi. (2012-13). Government of National Capital Territory of Delhi.

Goldstein, S. (2015). Planning the Millennium City – The Politics of Place-Making in Gurgaon, India. Paper presented at the RC21 International Conference - *The Ideal City: Between Myth and Reality. Representations, Policies, Contradictions and Challenges for Tomorrow's Urban Life*. Urbino (Italy), 27-29 August 2015, [Available at: http://www.rc21.org/en/conference/urbina2015/]

Gupta, R. (2012). Real Estate in Gurgaon – Opportunity and Challenges, *International Journal of Management and Business Studies*, 2(4), pp: 251-262.

Gururani, S. (2013). Flexible Planning: The Making of India's 'Millennium City' Gurgaon. In: R. Anne & K. Sivaramakrishnan (Eds*), Ecologies of Urbanism in India: Metropolitan Civility and Sustainability*. Hong Kong: Hong Kong University Press.

Planning Commission,Government of India(2002). *India Assessment Report: Water Supply and Sanitation – A WHO-UNICEF Sponsored Study*.

India Infrastructure Report (2011). *Water: Policy and Performance for Sustainable Development, Infrastructure Development Finance Company*. New Delhi: Oxford University Press.

Iyer, Ramaswamy, R. (2007). *Towards Water Wisdom: Limits, Justice, Harmony,* New Delhi: Sage.

Kait, K. S. (2013). Water and Sanitation Situation in Urban Villages of Municipal Corporations of Gurgaon – India: A Geographical Analysis, *Indian Cartographer*, 33(8), pp: 126-135.

Koundanya, V. U. & Gupta, N. (2011). Water Conservation Management in National Capital Region (NCR), *International Proceedings of Chemical, Biological and Environmental Engineering*, 8(3), pp: 123-142.

Kumar, B. (2013). The Role of Urbanism for Judicious Growth of Urbanisation in Haryana – An Analysis, *International Journal of Advanced Research in Management and Social Sciences*, 2(4), pp: 134-146.

Kumar, M. D. (2014). *Thirsty Cities: How Indian Cities Can Meet Their Water Needs,* New Delhi: Oxford University Press.

Kumara, H. S. (2013). Revisit the Debate on Issues of Metropolitan Governance and Service Delivery – A Trajectory of Efficient Service Delivery Model of Water Supply in Bangalore, India, *Environment and Urbanization ASIA*, 4(1), pp: 203-220.

McKenzie, D & Ray, I. (2009). Urban Water Supply in India – Status, Reform Options and Possible Lessons, *Water Policy*, (11), pp: 442-460.

Mital, A. (2007). *Cases in Strategic Management,* New Delhi: Mc-Graw Hill Education.

Narain, V. (2011). *Water Security in Peri-Urban South Asia – Adapting to Climate Change and Urbanization,* Scoping Study Report, Gurgaon: Saci-Waters.

Prakash, A. Singh, S. & Narain, V. (2011). Changing Waterscapes in the Periphery: Understanding Peri-Urban Water Security in Urbanizing India, *India Infrastructure Report 2011: Water – Policy and Performance for Sustainable Development*, pp: 213-251.

Rajagopalan, S. & Tabarrok, A. (2014). Lessons from Gurgaon, India's Private City. In: D. E. Andersson & S. Moroni (Eds), *Cities and Private Planning – Property Rights, Entrepreneurship and Transaction Costs,* UK: Edward Elgar.

________________________. (2014). Lessons from Gurgaon – India's Private City, *Working Paper*, No.14 (32), Department of Economics, George Mason University.

Reddy, R. V. (2009). *Water Security and Management: Ecological Imperative and Policy Options,* New Delhi: Academic Foundation.

Rich, N. (2014). Globally Integrated/Locally Fractured: The Extraordinary Development in Gurgaon India. In: P. Deamer (Eds), *Architecture and Capitalism: 1845 to the Present,* New York: Routledge.

Rogers, P. & Hall, A. (2003). Effective Water Governance, *TEC Working Papers No. 4*, Global Water Partnership.

Roth, D. Zwarteveen, M. Roy, K. J. & Kulkarni, S. (2014). Water Rights, Conflicts, and Justice in South Asia, *Local Environment: The International Journal of Justice and Sustainability*, 19(9), pp: 947-953.

Saxena, S. (2013). Implications of Rain Water Harvesting for Gurgaon, *Indian Cartographer*, 13(2), pp: 612-630.

Shah, M. & Kulkarni, H. (2015). Urban Water Systems in India: Typologies and Hypotheses, *Economic and Political Weekly*, 50(30), pp: 57-69.

Shah, M. (2015). Urban Water Systems in India – A Way Forward. Paper written for the Indian Council for Research on International Economic Relations [Available at: http://icrier.org/pdf/Working_Paper_323.pdf]

Shah, T. (2009). *Taming the Anarchy: Groundwater Governance in South Asia,* New Delhi: Routledge.

Singh, A. (2006). Globalization and Administrative Reforms: A Case Study of Globalizing City (Gurgaon) in India. In: A. Farazmand & J. Pinkowski (Eds*), Handbook of Globalization, Governance, and Public Administration,* New York: Taylor and Francis.

Singh, A. (2013). Private Provision of Public Utilities: The Solution to India's Urban Problems – An Introduction. Centre for Civil Society, *Working Paper No. 229*.

Singh, J. (2004). (Un)Constituting Property: The Deconstruction of the 'Right to Property' in India. Centre for the Study of Law and Governance, Jawaharlal Nehru University, New Delhi, *Working Paper Series CSLG/WP/05*.

Singh, V. & Yadav, V. (2012). Role of Floor Space Index in City Sprawl – Case Study of Gurgaon, *Indian Journal of Regional Science*, 18(2), pp: 154-163.

Vaidyanathan, A. (2006). *India's Water Resources: Contemporary Issues on Irrigation,* New Delhi: Oxford University Press.

______________. (2013). *Water Resources of India, Oxford India Short Introduction,* New Delhi: Oxford University Press.

Vaidyanathan, A. & Oudshoom H. M. (2004). *Managing Water Scarcity: Experiences and Prospects,* New Delhi: Manohar.

Vasudevan, V. (2013). *Urban Villager: Life in an Indian Satellite Town,* New Delhi: Sage.

Vora, P. K. & Kurlekar, M. (2013). Analyzing the Implications of Water Privatization: Reorienting the Misplaced Debate, *NUJS Law Review, Manupatra*, 15(4), pp: 46-59.

Yardley, J., "In India, Dynamism Wrestles with Dysfunction," *New York Times*, September 15, 2011, P: 27.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.62-66

Joining-up Government to Achieve Better Co-ordination and Performance is the Problem, not the Solution

Chetan Agrawal*

Various academic and professional discourses consider that joining-up government is a remedy for all kinds of coordination problems. However, contrary to this popular belief, research shows that joining-up initiatives are not effective in all situations. This article argues that a careful study of the public administration system and structure is of paramount importance before launching any joining-up initiative, and thus rejects the notion that problems surrounding coordination and performance will disappear merely by implementing a joined-up approach. Issues such as turf, disagreement over the solution, budget sharing, protection of information and different stakeholder perspectives are discussed in order to explicate that joining-up instead of improving coordination and performance creates further difficulties. Examples from the Indian and French public administrations are referred to throughout this article to further clarify the issues addressed.

Keywords

Joining-Up, Coordination, Public Administration, Performance

Introduction

Joined-up government is a slogan that gives an easy-to-understand label to a very old doctrine in the field of public management – the doctrine of coordination (Hood, 2005). The slogan 'joined-up government' is defined in *The Oxford English Dictionary* as "relating to or designating a political strategy which seeks to coordinate the development and implementation of policies across government departments and agencies, especially with the aim of addressing complex social problems, such as social exclusion and poverty, in a comprehensive integrated way" (Bogdanor, 2005, p.1). Coordination problems include cases where there is ambiguity about who is responsible for some significant activity and where policies affecting the same groups in society have conflicting goals or different requirements.

This article discusses some of the key problems that can be encountered in the implementation of joined-up initiatives and which can often lead to such initiatives creating more problems than they solve, even though the aim of the solution is to achieve better coordination and performance. The Indian and French public administrative systems are used as exemplars by which to analyse and explain the reasons why joining-up initiatives can become problematic.

* Policy Analyst, The Millennium Foundation, Varanasi, U.P. and can be reached at chetan.agrwal@alumni.lse.ac.uk

Turf

The joining-up of government can be undermined by political agents for their own interest and desires. This type of activity is related to the concept 'turf', which in this context refers to the desire to maintain or extend the range of responsibilities of a department (Page, 2005). Generally, ministers gain credibility and political reputation through their success in managing their departments and in interdepartmental fighting rather than through their skills in collective discussion and decision-making. This lack of coordination among ministers is further compounded by the departmental structure of government, which offers greater incentives to ministers who tackle the problems successfully than to the one who prevented it happening in the first place (Bogdanor, 2005). Thus one can argue that instead of extending mutual support to ensure the success of a joined-up initiative, ministers are more likely to be interested in exercising greater control over one another and continuing to defend the interests of their own department.

In this regard, the Indian governmental environment where the constitution and institutional structures are adversarial in nature, and thus not particularly suited for joined-up government, is worth examining. Taking just one example, one of the root causes of the failure of Indian government in preventing terrorist attacks on its territory has been attributed to the fact that the Home Minister responsible for the security of the nation is often busy portraying their accomplishments and drawing attention to the failures of the earlier Home Minister who happened to be from a different political party. This occurs partly because the Indian political system rewards institutionalized opposition. Therefore the joining-up of initiatives introduced by central government under different political party majorities has resulted in initiatives that have produced no concrete outcomes and that are seen as superficial. This means that finite government resources are often wasted on organizing such initiatives. Attempting to join-up government in such an environment is difficult due to the ongoing power game that pushes bigger, complex issues into the background.

In the French context, presidents have regularly sought to exercise their authority to the full and have also desired to extend the scope of their authority. There have been many instances when the president has carried out activities based on their own particular vision of France's future, even keeping their prime ministers in the dark. However, the power of French presidents has often been curtailed by public opinion, the constraints of a European polity, the global economy or a hostile parliamentary majority (Knapp & Wright, 2001). It is a matter of debate as to how successful the joined-up government initiatives have been in India and France. However, joining-up government is clearly a problem in these two countries as elsewhere because the concept of turf is ingrained in the heart of every institution and is often propagated through the values, mission and goals of that institution.

Disagreement Over the Solution

The success of many joined-up programmes requires cooperation between central government and local authorities. Although both parties may agree on the need to resolve key societal problems, there is often disagreement on how these problems should be solved. It has to be said that there is no inherent reason why local authorities should accept a diagnosis made by the government, especially in those local authorities in which the opposition parties may enjoy a majority (Bogdanor, 2005). However, inability to reach a consensus on the type of initiative to implement can result in a deadlock and often in the abandonment of the initiative itself. A classic example of this phenomenon can be found in the Indian political system where several joined-up operations have failed miserably because different governments at the central and the state level have disagreed over the approach that needed to be taken. The Indian government is perhaps inherently adversarial rather than consensual and is organized as much for the purpose of disagreement as for a shared attack upon deep-rooted problems. In contrast to the Indian political system, where agreement has to be reached to proceed, the French presidential system provides an opportunity to implement policies even in the absence of a majority or in the face of a hostile majority during periods of '*cohabitation*'. This is because the president is directly elected and enjoys the benefit of various legal and constitutional prerogatives. Therefore it can be argued that in countries where the power is distributed among various political actors, there is a greater likelihood that joined-up initiatives will fail or be abandoned due to lack of control over the whole process than in countries where one political actor is dominant. However, it should be noted that in both of the above cases there can be disagreement on a range issues around the nature of the problem and how it could be solved, and without a careful balancing of the interests of all the stakeholders involved in the proposed joining-up initiative, more chaos rather than effort to attack the problem at hand can ensue.

Budget Sharing

In areas of joint working, where no mutual agreement has been reached over the sharing of the costs, there is the strong possibility that one organization will be unwilling to subsidize the other (Page, 2005). The Indian political system has powerful state governments that have a considerable degree of autonomy. There have been many cases in India where the central and state governments have blamed each other for the failure of a joined-up initiative because of the mismanagement of funds, whereas the French situation is quite different. In the French presidential system the core sectors such as finance fall into the president's domain. There have been many instances when the French president has had the final say on the country's financial policy. Indeed, French presidents have often arbitrated between the Finance Ministry and the spending departments in disputes over the budget (Knapp and Wright, 2001).The greater constitutional powers of the French president can prove useful in settling financial disputes between ministries, thereby allowing the smooth execution of joining-up initiatives. However, it should be noted that arbitration does not guarantee the success of a joined-up programme; it only prevents the programme from being abandoned, as in the case of India. It should be reiterated that it is not the intention of this article to prove that one political system is superior to the other but to present the potential conditions under which joined-up programmes are initiated with the goal of achieving better coordination and performance could result in the creation of more problems rather than a solution.

Protection of Information

The protection of the information on which public services depend and the need to create flexible public services are arguments against joining-up government. It has been suggested that robustness in institutional systems can be achieved through the presence of multiple, independent units, which provides redundancy as a form of defence in the event of system failure (Hood, 2005). However, joining-up government for the purpose of coordination, which often involves focusing on reducing redundancy to do so, presents a problem in the case of overall system failure as all information would be lost. Therefore one could argue that in a hostile environment, scattered independent units would be more flexible both in terms of operations and in the protection of information. A further argument against joined-up government is that the secrecy of information can be maintained by keeping that information within one department rather than sharing it with other departments. There are several types of sensitive information that individual public departments may not wish to share with other departments. There have been many debates about the advantages and disadvantages of creating a single agency that would bring all the functions of multiple agencies under one roof.

In the case of India, no consensus has been reached between the central and several state level governments on this issue. Traditional arguments raised against this type of joining-up is that it would create potential problems such as information loss in the case of system failure, inflexible public services in a hostile environment and greater interference by the single agency in both central and state affairs. The creation of such an agency could also discourage informants from providing the type of highly valuable sensitive information required for the efficient working of some public services. In France, the French president with their extensive constitutional powers can create a single powerful agency, but it is open to debate as to what extent the president would be able to resolve the problems that would be generated by the birth of such a joined-up supra-agency.

Different Perspectives

The different perspectives and views genuinely held by various stakeholders can be a barrier that hampers the joining-up of government. Essentially, when it comes to a certain issue, 'where you stand depends on where you sit.' The employees of one government department may view things differently from their colleagues in other departments because their departments have different values, objectives, and ways of doing things and because they have been socialized into thinking and acting in different ways (Page, 2005). Therefore, in such cases people might not differ simply because they want to serve their own personal interest; rather they sincerely view the same issue from a different perspective. In the Indian political system this situation arises on a regular basis. Many a minister starting a joining-up initiative has been able to exercise control over their own department but has found it hard to garner support from other departments. This has often resulted in governmental in-fighting with each side justifying their own perspective.

Compared to the Indian political system, the French presidential system gives more power to the president which eases the implementation of presidential initiatives. Unlike in India, where the government and civil service are separate entities, in the Fifth Republic of France there is a marked interpenetration of the political and administrative classes. The president can appoint people with an administrative background to positions to authority in the government and the public sector. Out of loyalty, these people implement the president's policies, thereby serving as a political support structure underpinning the exercise of presidential power (Elgie, 1996). However, it should be stressed that the French president will all their constitutional and legal authority still finds it hard to improve the coordination between ministries and departments because of those stakeholders' different perspectives, and this tends to push the president to place persons who are loyal to them in various positions of authority.

It could be argued that it should be easier to conduct a joining-up initiative where there is greater interpenetration of the political and administrative classes than where they function as separate entities. However, different perspectives exist in all forms of political structure which would create a barrier against joining-up programmes. With different perspectives there is always a potential risk that each stakeholder would try to pull the initiative in a different direction, which would thus lead to greater chaos rather than better coordination.

Conclusion

To conclude, it is important to understand that there will always be some inherent problems that surface whenever joining-up initiatives are introduced in order to achieve improved coordination and performance. The extent to which these problems can be solved is a matter for research and discussion. However, it would be wrong to see these problems in an entirely negative light because they raise genuine concerns about the necessity and validity of joining-up government as the primary way of achieving coordination. A deeper knowledge of the problems that can be encountered when joining-up government will open up a path to discover more informal ways of joining-up public administration which could result in more efficient ways of achieving coordination and performance at a lower cost and with less effort.

References

Bogdanor, V. (2005). Introduction. In: V. Bogdanor (Ed.), *Joined-up Government*, Oxford: Oxford University Press.

Elgie, R. (1996). The French Presidency: Reconceptualising Presidential Power in the Fifth Republic, *Public Administration*, 74(2), pp: 275-291.

Hood, C. (2005). The Idea of Joined-Up Government: A Historical Perspective. In: V. Bogdanor (Ed.), *Joined-up Government*, Oxford: Oxford University Press.

Knapp, A. & Wright, V. (2001). *Government and Politics of France*, London: Routledge.

Page, E.C. (2005). Joined-Up Government and the Civil Service. In: V. Bogdanor (Ed.), *Joined-up Government*, Oxford: Oxford University Press.

Pollitt, C. (2003). Joined-up Government: A Survey, *Political Studies Review*, Vol. 1, pp: 34-49.

Wilson, J.Q. (1989). *Bureaucracy: What Government Agencies Do and Why They Do It*, New York: Basic Books.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.67-72

Need for Directly Elected Chairpersons in the Panchayat Raj Institutions (PRIs) – A Case Study of Kerala

Sindhu Thulaseedharan*

In the case of electing the President of PRIs through universal adult franchise it would be possible to put up a suitable person in the fray and get him elected as president. The electorate would be able to exercise their votes effectively since they come to know about the candidates prior to the election. The principle of democratic decentralization allows the President only to act in accordance with the majority decision of the Panchayat. The cessation of office of the president is only upon expiry of the term or on cessation of membership or on becoming disqualified to hold office by law. The uninterrupted full term would suffice to undertake and finish policy initiatives mostly decided in the Gram Sabha. The Functionaries, the Functions, Finances and an effectively linked Framework would make the Village Panchayat work like any other modern republican government, as independent and with sufficient autonomy, being accountable to the people as well. Thus the Chairperson/President of Panchayat at the village level if directly elected by the people will pave the way towards enhancing participatory democracy and thereby development right from the grass-root level.

Keywords
PRIs, Article 40 of the Constitution of India, Village Panchayat, Participatory Governance

Introduction

At the beginning, the Constitution of India included the provision relating to Village Panchayat only as a part of the Directive Principles of State Policy. The notion prevailed then was that what power should be given to the village Panchayat, what its area should be and what its function seemed to vary from province to province and from state to state. It was then not felt desirable that any hard and fast rule should be there in the Constitution.

During the British regime they formed the talukdaris, districts and the Zamindaris, but not the villages. Mahatma Gandhi started a revolution for reviving the village life What was attempted by the Constituent Assembly was to give a definite and an unequivocal suggestion that the State shall take steps to organize village Panchayats and shall endow them with such powers and authority as may be necessary to enable them to function as units of self government, and incorporated in Article 40 of the Constitution of India, 1950.

* Assistant Professor, Department of Law, University of Kerala, Thiruvanathapuram, Kerala and can be reached at sindhu.thulaseedharan@gmail.com

In 1957, a significant breakthrough was made through the Balwant Rai Mehta Committee Report in establishing Panchayati Raj which recommended that public participation in community works could be organized only through statutory representative bodies. It was of the view that without an agency at the village level that could represent the entire community, assume responsibility and provide the necessary leadership for implementing the development programmes, real progress in rural development would not come out at all.

Following that in 1978 the Committee on Panchayti Raj chaired by Ashok Mehta, put forward the recommendations as to the structure, composition and powers of the Panchayats in two tiers – Mandal and Zila panchayats. It Panchayati Raj, like democracy at the national and State levels, is both an end and a means. As an end, it is an inevitable extension of democracy; as a means, it would continue to be responsible for discharging obligations entrusted to it by the national and State Governments in spheres not yet transferred to its exclusive jurisdiction. Altogether, both as an end and a means, Panchayati Raj should contribute to the philosophy as well as practice of a rich, rewarding life in rural India. The establishment of democratic bodies below the State level is an imperative from the political and socio-developmental perspectives. Democratic institutions with periodic elections at all levels will provide a forum for the assertion of their strength in large number by the weaker sections. With the people and political parties having adequate opportunities to exercise power at various levels, national energy in political recrimination will yield to constructive competition and mutual co-operation in developmental activities among political parties.

Salient Features of the Constitution (73rd Amendment) Act Regarding Panchayat Raj System

The Constitution (73rd Amendment) Act, 1992, first introduced the concept of decentralisation in India. It added Part IX relating to Panchayats and the Eleventh Schedule listing out the 29 items to include within the purview of the authority of Panchayats.

Need for an Elected President at the Gram / Village Panchayats

The State Panchayat Legislations made in conformity with the Constitutional provisions demarcated the functionaries, functions, mode of the finances and the framework of the three levels of the Panchayat Raj Institutions (PRIs). The important functionaries delineated through law generally were the Gram Sabha (as the working unit), Gram Panchayat, Panchayat Samithi or Block Panchayat and the Zila/ District Panchayat.

The significance assigned to Gram Sabha in the day-to-day lives of villagers and the summoning of its periodic meetings provided through Panchayati Raj legislation calls for a regular chairperson for its uninterrupted working. The Gram Panchayat shall have to ensure community participation in identifying the real issues of the Panchayat. Its timely and speedy resolution has to be implemented to promote good governance. The outcome ought to be the stability in governance, active and effective leadership, more faith and increased community participation in governance and empowerment.

The instability on governance could be made out clearly from the table given below. It denotes the district wise details regarding change in leadership in Gram Panchayats within the term in the entire state of Kerala, where President is being elected by the members from amongst themselves.

District Wise Details of President Elections in Gram Panchayats in the Previous Completed General Election 2010-2015, in Kerala

Sl. No.	Name of District	No of GPs.	Presidential Re-Election - Reasons				Total
			Death	Resignation	No-confidence motion	Disquali-fication	
1	Thiruvananthapuram	78	0	10	7	1	18
2	Kollam	70	0	25	1	0	26
3	Pathanamthitta	54	0	19	2	0	21
4	Alappuzha	73	0	47	0	0	47
5	Kottayam	73	0	47	0	0	47
6	Idukki	53	0	32	0	0	32
7	Ernakulam	84	0	9	2	1	12
8	Thrissur	88	0	49	0	0	49
9	Palakkad	91	0	11	0	0	11
10	Malappuram	100	1	57	0	0	58
11	Kozhikode	75	0	15	0	0	15
12	Wayanad	25	0	7	0	0	7
13	Kannur	81	0	6	0	0	6
14	Kasaragod	38	0	2	0	0	2
	Grand Total	**983**	**1**	**336**	**12**	**1**	**351**

Source: The Kerala State Election Commission (Presently, the State has 941 Gram Panchayats)

The percentage of change in leadership is 35.69% of which the greatest number (336) of the whole (351) is due to resignation (93%). Thereby, it could be assessed that changes of Presidents occurred due to changes in political equations. To analyse the statistical data given above, opting for the president elected by the whole electorate of the Gram Panchyat would make it work more effectively than otherwise.

In the case of electing the President of Panchayat through universal adult franchise it would be possible to put up a suitable person in the fray and get him elected as president. The electorate would be able to exercise their vote effectively since they come to know about the candidates prior to the election. The president being elected for the whole Panchayat by the whole electorate could provide a dynamic leadership. There would not be any bias towards a single ward. The principle of democratic decentralization allows the President only to act in accordance with the majority decision of the Panchayat. The cessation of office of the president is only upon expiry of the term or on cessation of membership or on becoming disqualified to hold office by law.

The uninterrupted full term would suffice to undertake and finish policy initiatives mostly decided in the Gram Sabha. Since the authority for imparting functions and funds is the State government the Panchayat won’t be handling law making or much taxation power. Their only responsibility lay in supervising the developmental activities continuing during their tenure and for their completion.

The States that have already accepted the legal norm for electing Presidents of village level Panchayats directly by the voters of the Gram Panchayat are Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh,Jammu & Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan Tamil Nadu and Uttar Pradesh. The Presidents/ Chairpersons are elected from amongst the members of the Gram Panchayat in the States of Arunachal Pradesh, Goa, Karnataka, Kerala, Manipur, Sikkim, Tripura and West Bengal. There are no PRIs in Uttaranchal. In the North – Eastern States of Meghalaya, Nagaland and Mizoram, the VI Schedule of the Constitution of India envisages for the establishment of Autonomous Councils. The Village Council Act, 1994, provides for establishment of Village Councils in Mizoram.

Election of Presidents – A Comparison of the Different State Panchayt Raj Acts

- **States with Directly Elected Presidents – A Comparison of the Tamil Nadu and Punjab State Panchayati Raj Acts**

  The Tamil Nadu Panchayat Raj Act, 1994, is a typical example. As per the Act the President shall be elected by the persons whose names appear in the electoral roll for the Village Panchayat from among themselves in accordance with such procedure as may be prescribed. The term of office of the President who is elected at an ordinary election shall, save as otherwise expressly provided in, be five years beginning at noon on the day on which the ordinary vacancy occurs.

  The Vice-President shall be elected by the Village Panchayat from among its elected members in accordance with such procedure as may be prescribed.If at an election held no Vice-President is elected, a fresh election shall be held for electing a Vice-President. The President or Vice-President shall cease to hold office as such in the case of the President, on his becoming disqualified for holding the office or on his removal from office or on the expiry of his term of office or on his otherwise ceasing to be President;in the case of the Vice-President, on his becoming disqualified for holding the office or on his removal from office or on the expiry of his term of office as a member or on his otherwise ceasing to be a member.

  In the State of Punjab, though directly elected, the provisions of the Punjab Panchayat Raj Act, 1994, is slightly different. It elects the Sarpanch and the Panches in proportion to the population directly by the people of the Gram Panchayat.The term of the offices of Sarpanch and Panch of a Gram Panchayat shall be co-terminus with the term of the Gram Panchayat.

  The Sarpanch shall be responsible for convening the meeting of the Gram Sabha and preside over its meetings and have the general responsibility for the financial and executive administration of the Gram Panchayat.

- **States with Indirectly Elected Presidents – A Comparison of the Kerala and Karnataka State Panchayati Raj Acts**

  The Presidents are elected from amongst the members. They are vested with executive powers only including the powers to preside and control the meetings of Panchayat. The financial or other powers are not seen vested in them as in the case with Acts providing for directly elected Presidents.

  The Kerala Panchayat Raj Act, 1994, provides that in every Panchayat there shall be a President and a Vice-President elected from among the elected members of that Panchayat in accordance with the provisions of this Act and the president shall be full time functionary of the Panchayat. A President shall be deemed to have vacated his office on the expiry of his term of office as a member or on his being sentenced by a criminal court for the imprisonment for any offence involving moral delinquency or on his otherwise ceasing to be a member of that Panchayat.

  The executive power for the purpose of carrying out the provisions of this act and the resolution passed by a panchayat shall vest in the President thereof who shall be directly responsible for the due fulfillment of the duties imposed upon the Panchayat by or under this act.

As per the Karnataka Panchayat Raj Act, 1994, every Grama Panchayat shall, within one month from the date of publication of names of the elected members, or immediately before the expiry of the term of office of Adhyaksha and Upadhyksha choose two members of the Grama Panchayat to be respectively Adhyaksha and Upadhyaksha. The term of office of every Adhyaksha and every Upadhyaksha of the Grama Panchayat shall, save as otherwise provided in this Act, be thirty months from the date of his election or till he ceases to be a member Grama Panchayat, whichever is earlier

The Adhyaksha of the Grama Panchayat shall be the executive head of the Grama Panchayat and he shall in addition to the powers exercisable under any other provision of this Act or rules made thereunder convene meetings of the Grama Panchayat; have access to the records of the Grama Panchayat etc.

The States with a directly elected President considers him more than as an administrative head, and provides for vesting in him financial or such other powers so as to implement the activities as may be entrusted to the Panchayat by the law and government from time to time.

- **Functionaries, Functions, Finances and Frame work – A Comparison of the Different Legislations**

  The functions assigned to the grass-root level PRIs prefers to have a representative head at the village Panchayat level. The powers statutorily vested upon the Gram Sabha too necessitates for an elected head. An overview in general of the corresponding provisions of Acts in States with and without directly elected Presidents would bring out the reasons behind the proposal for a more representative head in the Gram Sabhas.

  The TN Panchayat Raj Act, 1994, where President is directly elected, provides for multifarious functions including taxation powers to Gramsabha thereby setting the proper framework for the working of democratic decentralization. In the case of States with President of Gram Panchayat elected from amongst members there is no effective link between the Panchayat and the people as seen in the Tamil Nadu Act. In the Karnataka Act, a midway is adopted through making the Gram Sabha accountable to the Sarpanch and the Gram Panchayat.

  A draft *Model Panchayat and Gram Swaraj Act* by the Ministry of Panchayati Raj, Government of India has been made and distributed for suggestions to all States and Union Territories. Its relevant extracts are as follows:

- **Chairperson of Village Panchayat and His or Her Election**

  i. Every Village Panchayat shall have a Chairperson who must be a person qualified to be elected as a member and shall be elected by the electors of the whole Panchayat area in the prescribed manner.

  ii. If the electors of a Village Panchayat area fail to elect a Chairperson in accordance with this section, a fresh election shall be held for electing the Chairperson within a period of six months as the case may be.

Conclusion

The Functionaries, the Functions, Finances and an effectively linked Framework would make the Village Panchayat work like any other modern republican government, as independent and with sufficient autonomy, being accountable to the people as well. The Gram Sabhas are required to be connected with Village Panchayats adequately through law. The heads of Panchayats shall be entrusted with all sorts of powers including financial power for implementing the responsibilities entrusted upon them by the legislation. So a president directly elected by the whole electorate of the Panchayat is desirous than a president elected from amongst the members. It is the interest of the people that matters but not of the members

References

GOI (2009). *Draft Model Panchayat and Gram Swaraj Act, 2009*. [Available at: www.prsindia.org/uploads/media/draft].

GOI (1994). *The Andhra Pradesh Panchayat Raj Act, 1994*.[Available at: www.lawsofindia.org/statelaw/1744/The Andhra Pradesh....(1994)].

GOI (1994). *The Tamil Nadu Panchayats Raj Act, 1994 ; The Kerala Panchayat Raj Act , 1994 ; and the Punjab Panchayati Raj Act, 1994*. [Available at: www.panchayat.gov.in]

GOI (1993). *The Karnataka Panchayat Raj Act, 1993 (Act No.14 of 1993)[Available at:* www.lawsofindia.org]

Government of India, Planning Commission and Ministry of Panchayati Raj (2011). Report of the working Group on PRIs and Rural Governance, Ch.13.

National Portal of India (1993). *The Constitution* (73rd & 74th Amendment) *Acts, 1992.*

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.73-88

Mergers and Acquisitions in Indian Banking Industry

Behara Yerram Raju*

This paper contributes to the ongoing debate on mergers and acquisitions in Indian Banking particularly in the context of SBI merger on 1st April 2017 and the imbroglio of Prompt Corrective Action (PCA) Plan for 11 out of 21 PSBs. While arguing on the issues of consolidation and convergence of banks through the M&A process, the paper cites the experiences of mergers in banks thus far. The author opines that strong economy and weak banking cannot coexist. He has referred to the demerits of the size in the context of 'too big to fail' experience of the 2008 global recession. He considers that 'people' in the organisations should be the focus in any such interventions. He concludes that the issues of vacuum in leadership, succession, and governance in public sector banks cannot be addressed by a larger size. Viewing from the policy angle, mergers and acquisitions targeting size are no insurance to either financial inclusion or improved customer service and therefore need extreme caution. Further, higher capital allocation with or without Basel III cannot prevent bank failures triggered by systems, people and processes. The Indian banking system is facing difficult challenges. It is therefore, important to move strategically and not ideologically and emotionally in regard to mergers and acquisitions, or for that matter, convergence and consolidation in banking industry.

Keywords

Economy, Growth, Financial Stability, Nationalisation of Banks, Financial Inclusion, Mergers, Acquisitions, Valuations, Customer Service, Capital Allocation, NPAs

Introduction

"Mergers refer to deals where two or more companies take virtually equal stakes in each other's businesses, whereas acquisition is the straightforward purchase of a 'target' company. 'Whether in times of boom or bust, M&As continue to be the preferred option for businesses seeking to grow rapidly and, more importantly, change the rules of the game in their sector.'(Marion Devine, 2007). In this article, M&As are referred to as a combination of multiple entities to form into a single entity. The article takes up for discussion the M&A in banking, more particularly, the merger of Associate Banks with the SBI in the context of its posting a huge loss in 2017-18, the first, since its formation in 1956.

The problem that needs discussion in the context of mega merger of five Associate Banks with the SBI is, whether mergers and acquisitions (M&A) in banking industry, particularly, in the public-sector space are going to add value to the economy? Are the objectives of Bank Nationalization of 1969 and 1981 being set aside in the name of viability, with Size as consideration? Does it benefit the customers? Does it improve the technological prowess of the merged banks offer affordable charges and more services to the customers than now? Will these mergers enable banks to better rating despite the bloating

* Adviser & Director, Telangana Industrial Health Clinic Limited, Hyderabad and can be reached at yerramr@gmail.com

NPAs? Will the merged banks have persons of 'proven professional competence and expertise and with special insights into specific economic activities, on their Boards'?

Theoretical Perspective

When two companies in the same industry merge, such as two banks, combined revenue tends to decline to the extent that the businesses overlap in the same market and some customers become alienated. For the merger to benefit shareholders there should be cost saving opportunities to offset the revenue decline; the synergies resulting from the merger must be more than the initial lost value. Synergy should take the form of revenue enhancement and cost savings. Every merger or acquisition promises to create value from synergy of some kind, and yet all the statistics show that successes are in the minority and failure can be quite expensive. 'Synergy refers to the combination of various physical, financial and intellectual assets such that their value is greater than the sum of their individual worth.'[1] (Marion Devine, 2007)

The success of a merger is measured by whether the value of the acquiring bank is enhanced by it and the way businesses are integrated after the deal has been done. The practical aspects of mergers often prevent the forecasted benefits from being fully realized and the expected synergy may fall short of expectations.

No two mergers are the same. The underlying rationale for a merger may be driven by a range of different objectives – buying market share through consolidation, expanding geographically, extending a product or service portfolio, buying intellectual capital or know-how, or capitalizing on changing industries' borders to create new markets.

M&A objectives in brief could be:

- Effective resource utilization.
- Forming a strong human base.
- Improving tax gains
- Improving profits.
- Standing tall in competition.
- Minimization of monitoring costs.

Each Merger will have widely differing mission-critical priorities.

- For example, consolidation in an industry (say, banking) will succeed if redundancies are eliminated and costs are cut.
- On the other hand, buying intellectual capital (say, in software development) requires retaining the staff of the target company.

People-based programs have a significant impact on assets, liabilities, and costs. An acquirer that undervalues liabilities or overvalues assets can face additional demands on business performance improvement. Because people and people-related programs also have a significant impact on both productivity and cost, inaccurate estimates can undermine anticipated post-merger performance.

Indian Banking Backdrop

Indian banking is not new to M&A as a strategy for gaining synergies in size. In 1921, the Bank of Bengal, Bank of Bombay, and Bank of Madras were merged to form the Imperial Bank of India. This Bank held the treasury of the British Empire in India. After independence, it took eight years to convert the Imperial Bank of India into State Bank of India. This is more an acquisition process than merger.

Later, the State Bank of Bikaner and the State Bank of Jaipur merged and formed the State Bank of Bikaner and Jaipur.

Pre-liberalization, 14 Banks were nationalized under Bank Nationalization Act 1969, on the 19th July 1969 and six more were nationalized on 15th April 1980. In the year 1993 government merged The New Bank of India and The Punjab National Bank and this was the only merger between nationalized Banks. Post liberalization, Bank of Rajasthan was acquired by ICICI Bank Ltd in August 2010. HDFC Bank acquired the Centurion Bank of Punjab in May 2008. And recently, Kotak Mahindra Bank acquired ING Vysya Bank in April 2015. In all these cases the RBI approved the M&A.

Interesting mergers in the context of financial and managerial failure of a particular bank are: Hindustan Commercial Bank Ltd., and New Bank of India with Punjab National Bank; Lakshmi Commercial Bank Ltd., with Canara Bank. Both ICICI Bank and HDFC Bank were reverse mergers whereby the original entities that set up the Bank – ICICI and HDFC merged with the Bank that they had set up.

Economy and Financial Sector

Financial Stability Report (2017) states[2]: “Domestically macroeconomic conditions remained stable and the expectations of accelerated reforms and political stability further reinforced the overall positive business sentiment.” In the same vein, it has also mentioned that ‘the banking stability indicator worsened between September 2016 and March 2017 due to deterioration in asset quality and profitability.’ June 2017 Consumer Confidence Survey of the RBI indicates the following perceptions: that income growth has decelerated drastically; that employment conditions worsened; that employment in manufacturing in particular is improving at a sliding path and that economic conditions over June 2016 have only worsened. Latest CSO estimates (April 2018) indicate that the economy is likely to grow to 7.1-7.5% compared to 6.75 percent in 2016-17. 11 PSBs have been put under surveillance by the regulator in April 2018. SBI showed up for the first time huge losses in 2017-18 post M&A. This leaves us with the question: can weak banking and strong economy co-exist?

Transformational Indian economy steadily growing at 7-7.5% p.a., during the first four years of NDA rule,[3] witnessed a few key reforms: i) improving the statistical tool for performance of the economy: change in the calculation of GDP; ii) archaic Planning Commission in a different format NITI Aayog; iii) Cooperative federalism to take states on board in the reform process; iv) establishing a statutory Real Estate Regulatory Authority (RERA); v) demonetization of Rs.500 and Rs.1000 currency; vi) setting up the Insolvency and Bankruptcy Code and Act to tame the NPAs of Banks; and vii) most importantly, borderless trade in the country and rationalization of indirect taxation through the Goods and Services Tax (GST). It is widely accepted that the economy is gaining strength due to these reforms.

Growth of banking in India, geographically, made rapid strides following nationalisation of banks. On the three parameters, mobilization of deposits, extension of credit to the needy, and credit-deposit ratio in rural areas has also improved. But post-1991 reforms, following the cleaning up of banks and introduction of income recognition and asset classification norms, entry of private sector banks, and introduction of universal banking public sector banks (PSBs) that occupy 73% of banking space in India moved away from social banking to commercial banking in its true term with an eye on profits as the final goal of sustainability. Banks that were blaming the directed lending for the pile up of NPAs at the beginning of 1990s ended up accumulating NPAs of the order of Rs.8.29trn by the end of June 2017[4] that mostly originated from hasty lending bordering on behest lending to corporates.

The spirit behind nationalisation of banks is worthy of recall both in the context of economic growth and financial inclusion as also the size. “Nationalisation was recognition of the potential of the banking system to promote broader economic objectives such as growth, better regional balance of economic activity and the diffusion of economic power. It was designed to make the system to reach out to the small man and the rural and semi-urban areas and to extend credit to coverage to sectors till then neglected by the banking system and positive affirmative action in favour of agriculture and small industry in place of what was regarded as somewhat oligopolistic situation where the system served mainly the urban and industrial sectors and where the grant of credit was seen to be an act of patronage and receiving it an aspect of privilege." [5] The report also made a strategic judgment that the problems of Indian banking were not fundamentally attributable to public ownership, but rather to the managerial and policy environment within which the banks operated. It drew attention to the high cost, poor service, poor loan recovery, low profitability, and weak capital position of virtually all public owned banks. The main explanations provided for this state of affairs was excessive centralisation and political interference, which had served to undermine the sense of institutional autonomy, pride and accountability in banks.

The Triggers

Government of India seems to be occasionally referring to the reforms pages of Narasimham Committees (1991 and 1994) to see the unfinished agenda. Narasimham Committee (1991)[6] (NCR) acted as trigger for M&A in Banks when it said:

- Merge Banks and close weak and unviable ones
- Have two or three Banks of global dimension to serve as International Banks and a larger number of local domestic banks including RRBs
- Integrate NBFC activities with Banks
- Merge the Associate Banks with the SBI and divest RBI ownership in SBI
- Review major banking laws

The Committee believed the move towards the system should be market-driven and based on profitability considerations. It was felt that there was enough room for healthy competition of public and private sector banks as well as foreign and domestic banks. It missed out the people.

Narasimham Committee Report on the Financial System (1994) [7] suggested reduction of the number of PSBs. The suggested consolidation of mergers, according to the Report, should be through negotiation rather than imposing on the system. Both profitability and business strategy could be achieved in the process. But the Government took to the option of merging weak banks with strong ones – imposed on the PNB, as demonstrated in the case of New Bank of India merger with Punjab National Bank and also the acquisition of Global Trust Bank Ltd., a private sector bank that went bust with the public sector bank, Oriental Bank of Commerce and recently, the merger of associate banks with its principal, State Bank of India. Setting up Asset Reconstruction Companies and enacting SARFAESI Act (2000) only partially responded to the last item of the Agenda, namely, review of major banking laws.

Varma Committee Report[8] was set up by the RBI to was to identify weak public sector banks and to suggest schemes for the restructuring and strengthening of weak banks. The committee developed important parameters for identifying weak banks and those that were essential for a financially strong bank. The group submitted its report in October 1999, and recommended the following seven parameters for identifying weak banks

- Capital Adequacy Ratio
- Coverage Ratio
- Return on Assets
- Net Interest Margin
- Ratio of operating profits to average working funds

- Ratio of cost to income
- Ratio of staff cost to net interest income plus all other incomes.

Varma Working Group basing on those parameters classified PSBs into three categories: 1. Banks meeting all the parameters; 2. Banks that satisfy only a few parameters, and 3. Banks that do not satisfy any of the parameters. Following a case by case analysis, the Group suggested two stage operation for restructuring weak banks: merger would be relevant only if it enhances the operational efficiency of the banks and opined that privatisation of weak PSBs should be the last option. The first stage involves operational, organizational, financial and systematic restructuring leading to adoption of modern technology, reduction in operational costs, reduction of NPAs, and the second stage involves improvements in Corporate Governance, strengthening the legal system and managerial efficiency. The Group also recommended Financial Restructuring Authority (FRA) comprising professional experts and experienced bankers. Debt Recovery Tribunals (DRT) was also suggested to speed up the recovery process. Although FRA was announced in the Union Budget, instead of one, the FM has set up FRA for each weak bank separately. He also announced recapitalization of weak banks that fall short of Capital Adequacy Norms.Excepting that the DRTs were set up, the rest remained on paper.

On the legal front, the much-expected changes in Banking laws did not materialize. Barring the Banking Regulation Act in 2017 providing more teeth to the RBI in tackling the NPA menace and the amendments to the SBI Act to provide for mergers, not many substantial legislative amendments came through since the NCR. A couple of the most important laws in Banking: The Negotiable Instrument Act and The Bankers' Book of Evidence Act particularly require immediate attention as the nature of instruments moved from physical to digital and evidences also moved away from the bankers' books. The frauds that surfaced post-demonetization putting around 500 bank officers under disciplinary proceedings and the RBI putting eleven PSBs under surveillance, restricting their regular operations unnerved the customers and made the bankers' accounts suspect. Hence the evidence of bankers' books assumes importance. The embrace with digital banking has opened up the need for strict cyber laws to protect the net-driven consumers who are increasing in geometric progression.

SBI's phenomenal loss in the first year after M&A reminds us of the analysis of Kemal (2011)[9] who applied ratio analysis to conclude that post merger, Royal Bank of Scotland (RBS), Pakistan for the years 2006-09, profitability, liquidity, assets, leverage, and cash flow positions of RBS was better in the pre-merger phase compared to the post-merger. Mergers and Acquisitions are not mathematics. They concern people. People working in the institutions matter a lot. 'Most takeovers devour buyer's wealth. But acquirers who understand they are actually buying customers can avoid disastrous deals and find ones that work.'(HBR June 2003) RBI itself viewed at one time, concedes Y.V.Reddy that consolidation having not made any remarkable success in the rest of the world, should be part of an overall well worked out strategy.[10]

The post M&A performance in US banks was negative. (DeLong and Deyoung (2007)[11]. Sinha and Gupta (2011)[12] in their paper noted that while profitability of Indian banks improved liquidity deteriorated, post-merger. Kalra *et. al.,* (2013)[13] and Chellasamy and Ponsabariraj (2014)[14] recorded that financial performance of banks in terms of profitability and liquidity did not improve in the post-merger of Indian banks.

Research also points to contrarian view that post merger performance of banks improved in terms of profitability slightly. (Mantravadi and Reddy (2008))[15]. Similarly, Khan (2011)[16] using independent t-test compared pre and post-merger financial performance of merged banks via financial parameters like gross profit margin, net profit margin, operating profit margin, return on capital employed (ROCE), return on equity (ROE) and debt equity ratio and the overall impact of M&As on acquiring banks noted that the acquiring banks had been positively affected by the event of M&A.

SBI post-merger, in its press conference on Annual Report, 2018 recorded marginal decline in average cost of deposits with a mark up in CASA ratio from 44.40% (FY 2017) to 45.60% (FY2018). Average yield on advances and net interest margin also declined. Cost to income ratio also slipped by 64 basis points from 49.54% to 50.18% correspondingly.

Strategy Vs Size

Committee on Financial Sector Assessment (2009) chaired by Rakesh Mohan, former Dy. Governor, RBI that looked at financial stability against stress testing, legal, infrastructural and market development issues and an assessment of standards of implementation of international financial standards and codes did not view the size of banks as critical to financial stability even while the global integration strategy embracing the BASEL-III norms required sophisticated data bases, technology platforms necessitating huge investments and huge capital. Capital requirements of Banks and NBFCs enhanced lately with the changes in the Expected Loss calculations. This could also be a trigger for the banks eyeing on M&A as a preferred strategy.

Basing on these calculations, PSBs in India require capital infusion of over Rs.5 trillion due to their level of NPAs standing at over Rs.8.29 trn as at the end of December 2017.

Several private banks with low capital and high leverage as also NBFCs taking deposits require higher capital and they may not be able to raise all the capital required under Basel III norms of capital adequacy. Those banks and NBFCs may be eyeing M & A as an easier option to raise capital.

FII and FDI policy permitting greater shareholding and widening ownership bases in Banking seems to have provoked Chidambaram, former Union Finance Minister (Budget 2005) to raise the triple-C slogan to the Banks: Competitiveness, Consolidation and Convergence,[17] which led to wide ranging protests by the Banks' Unions. CULTURE is the fourth 'C' that should have been added to the three 'Cs' to make the strategy meaningful. Even at that time, it was not clear as to the way large sized banks could get better integration with the global financial system from a strategic angle.

Sir John Reed, CEO, Citicorp, who viewed merger initially as an alignment of business operations, realized that putting together, two cultures is quite different and distinct. "As you put together two cultures, you get all sorts of aberrant behavior ….the willingness of people to change is limited and what you pay them seems to be inversely correlated to their willingness to change.[18]

Culture is not restricted to just operational aspects. It is a wider issue bordering also on ethics. Acknowledging a letter and timing an action may be treated as operational aspect but it is a cultural issue. Likewise, respecting a customer as expected is not an operational aspect but a cultural issue. Being gender sensitive is a cultural issue not relating to work culture. These are just examples.

Asian economic crisis and the global recession of 2008 amply demonstrated that the bigger the size of a bank the more vulnerable it is for a fall. Although small savings banks in the wake of recession in 2008 folded up one after the other those that survived the shock became stronger and did not choose to be bigger. The lesson therefore is that size of a bank is not so much a matter as its governance and winning strategies in the market place.

Duvvuri Subba Rao (2010)[19] delivering Sir C.D. Deshmukh's Memorial Lecture at Pune said: 'Post-crisis, financial stability has come to the centre-stage. One of the big lessons of this crisis is that financial stability can be jeopardized even in environment of price stability and macroeconomic stability. It is even possible to make a stronger argument, based on the experience of this crisis that extended periods of price stability and macroeconomic stability may indeed blindside policymakers to financial instability brewing in the underbelly.' Financial stability is inextricably interlinked with the stability of the banking sector in a growing economy.

PSBs in India took to default risks outlined by Raghuram Rajan (2011) in a different context though: those that ‘associated with highly rated asset-backed securities and the liquidity risk associated with funding long term assets with short term borrowings’.[20] This has certainly affected the larger interests of the economy that resulted in sharp fall in credit flows decelerating the growth in manufacturing sector. But this can’t be remedied by enhancing the size of beleaguered banks so much as improving risk management practices, better oversight in lending policies and governance practices.

Past Experience

When SBI took over the Palai Central Bank or Gopalpur Bank way back in 1960s and 70s it was easy to find solution to Balance Sheet problems. But it took years to bring about a change in the work culture of the merged bank’s employees with that of SBI. All operations were manual during that period. The systems’ integration demanded capacity building of the new set of employees. The wage structures and cadre management brought out complex issues to be tackled. Technology made rapid strides post liberalization and SBI claimed leadership in technology adaptation to global standards. However, the experience of the merger of SB of Saurashtra and SB of Indore with the SBI years later left the people involved unhappy. In 2017, both merger of Associate Banks and acquisition of Bharatiya Mahila Bank took place at a time with no similarities elsewhere where both M &A synchronized in symmetry.

Coming to mergers, the problems were not very different when the New Bank of India merged with the Punjab National Bank in the post-nationalization. It took almost a decade for the cadre-management issues to be tackled. Again, when OBC took over the GTB without the former taking up any due diligence prior to the takeover, it had problems in understanding the technology platforms and the people. Most of those who knew technology left the Bank after the take-over. Scales of Pay, work culture, cadre management posed several problems, which it is still grappling with. The average age of the employees and officers of the Banks that choose to integrate and their qualifications, the pay scales and special allowances, outsourcing jobs created complications for the two entities.

The problems could not have been different when the ICICI Bank chose to buy up the Bank of Madurai in the first decade of 2000. Here it is acquisition. In acquisition, there will be shifts in valuation of assets because of acquisition depending on how the markets receive the whole effort. In this case, the ICICI Bank’s shares traded high immediately after acquisition. The unviable branches of Bank of Madurai were shut down. There was lay off but it did not cause flutter because both the banks are private banks and the pressures of the Union were not too overarching. ICICI Bank did not have much of its presence in areas of Bank of Madurai and in the rural areas down south. Therefore, the presence proved an opportunity for ICICI Bank to expand its presence in rural areas with the change of name board. Technology of the former provided handsome gains as the acquired entity was far behind in the art and science of digital banking.

The RBI in its Financial Stability Report (FSR) of June 2015 also identified both ICICI and SBI as banks posing systemic risks along with four others. There were arguments for restructuring of public sector banks[21] earlier and the suggestion was for setting up large Zonal Banks after preparing the Banks systemically that were brought under the ambit of mergers. Narasimham Committee-1 latter suggested having 3 or 4 large Banks (including SBI), 8 private banks and local banks with regional flavor.. Viral Acharya *et. al.,* (2011)[22] in ‘Guaranteed to Fail’ argued for a PPP model for better organising and managing government-sponsored enterprises.

The Mega Merger

In the case of merger of Associate Banks with the SBI, they were governed by the same Chairman and the Managing Directors of Associate Banks were all selected by the SBI. Training of officials and employees of Associate Banks were all under the overall training umbrella of SBI in terms of syllabi and schedules. HR and cadre management issues have the potential for escalation. The variations were in terms of work culture and region based focuses. Interbank reconciliations in spite of usual glitches could find resolution easily. In the case of Acquisition of BMB, this Bank is a specific gender based institution of recent origin, processes different from those of SBI, asset build up and the work culture have not stabilized. Hence both actions have more dissimilarities than similarities.

Research[23] evidence going back to the 1970s demonstrates that mergers and acquisitions have an unfavorable impact on profitability. They are strongly associated with lowered productivity, labor unrest, higher absenteeism, and poorer accident rates. Depending on which study one reads, 50% to 80% of all mergers and acquisitions turn out to be financially unsuccessful. Keep in mind that most research studies have investigated combinations in which the two firms were rooted originally in the same national culture. Sony *et. al*., (2009)[24] were of the view that valuation of banks and fixation of swap ratio are significant factors from shareholders' viewpoint. In case of voluntary amalgamation in the Indian Banking Sector, they found that in majority of the cases the final swap ratio did not justify the financials of the merging banks. Ravichandran *et. al.,* (2010)[25] by examining relation between return on shareholders' fund (ROSF) and CRAMEL-type variables for seven Indian bank mergers in the pre and post-merger phase and found that ROSF was negatively related to cost efficiency and interest cover but was positively related to ratio of advances to total assets.

Research also indicates that senior executives rate "underestimating the importance and difficulty of integrating cultures" as a major cause of integration failures. Hence, the ingredient missing from many M&As is careful, sustained attention to the *cultural* aspects of the integration process.

Situations Differ and Problems Vary

1991-2001 saw bank disintermediation in the wake of financial liberalisation, prudential norms and profitability focus. Directed credit program was blamed for the rising NPAs till then.

Y.V. Reddy (2017) says[26]: "the seeds for bad times are always sown in good times." 2003 was the year of 'crazy credit' that took the route of CDRs in 2010 and 2011. This grew into a immature NPA adult and aged along to reach the unsustainable level of around Rs.8.29 trillion. Courtesy this situation, arm-chair banking had set in. Illustratively, car finance, education loans, real estate and housing finance typically fall under such category. Lately it is these segments that replaced the priorities in retail lending and these types of loans do not require the kind of supervision that agriculture and MSME loans require.

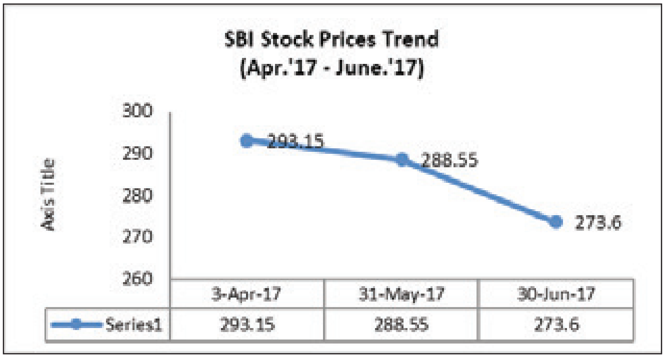
Former Governor Dr Raghuram Rajan's warning in 2016 that the merger move is risky without cleaning up the beleaguered banks' balance sheets did not appeal to the FM. Government did not seem to have learnt lessons from the 38 mergers occurred before the SBI merger. SBI Chairman was on record in June 2017 to say that the NPA position worsened post-merger.

Winners and Losers

A few of the previous studies reflected that the share holders of acquired firms significantly got higher returns while the shareholders of acquiring firms would receive only modest excess returns: (Jensen and Ruback, 1983[27]; Jarrel *et. al.,* 1988).[28] Some earlier studies however found a negative impact of M&A on the earnings of the merging firms (Ravenscraft and Scherrer, 1989)[29] while Porter (1987)[30] mentioned that M&A have a high failure rate.

Excluding any synergies resulting from the merger, the total post-merger value of the engaged banks is equal to the pre-merger value. However, the post-merger value of each individual bank likely will be different from the pre-merger value because the exchange ratio of the shares probably will not exactly reflect the banks' values with respect to one another. The exchange ratio is skewed because the target firm's shareholders are paid a premium for their shares. In the case of SBI merger, major shareholder is the government and therefore, valuation issues hardly mattered. Minority individual shareholders and employee shareholders have no voice to express. The guiding factors should be nature and likely quantum of the future cash flows, EPS, gross profit margin, net profit margin, operating profit margin, return on capital employed (ROCE), return on equity (ROE) and debt equity ratio and also the overall impact of merger and acquisitions on acquiring banks, etc. Kuriakose Sony *et. al*., (2009)[31] focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and concluded that in most of the cases the final swap ratio was not justified to their financials. Anand & Singh (2008)[32] studied the effects of specific mergers in the Indian Banking Sector on the shareholders' wealth. Results indicated that merger announcements had been positive and significant for both bidder & target banks. Kumar and Suhas (2010)[33] also opined that mergers created value for the acquirer banks but eroded shareholder wealth for target banks in India. Anand and Singh (2008)[34] studied the impact of merger announcements of five banks in the Indian Banking Sector and concluded that the announcement of merger of bank had positive and significant impact on share holder's wealth. Beitel *et. al.,* (2004)[35] studied M&As of European bidding banks from 1985 to 2000 and found that less active bidders created more value than more active/experienced bidders. Shobhana and Deepa (2012)[36] attempted to determine the shareholder value addition consequent to merger announcements with respect to the six selected Indian bank mergers during the post-liberalization period. The results of the study indicated that there was a decline in the shareholder wealth when the securities of the select banks were more prone to market risk while there was an increase in the shareholder wealth when market risks of the select public and private sector banks were the same as that of the benchmark portfolio. Jayadev and Sensarma (2007)[37] analyzed some critical issues of consolidation in Indian banking with particular emphasis on the views of two important stake-holders viz. shareholders and managers. The result revealed that in the case of forced mergers, neither the bidder nor the target banks' shareholders benefited. But in the case of voluntary mergers, the bidder banks' shareholders have gained more than those of the target banks. In spite of absence of any gains to shareholders of bidder banks, a survey of bank managers strongly favored mergers and identified the critical issues in a successful merger as the valuation of loan portfolio, integration of IT platforms, and issues of human resource management.

For example, when the SB of Indore merged with SBI in 2010, the stock prices of SBI moved up for just a month; thereafter fell from the cliff albeit temporarily. But when all the five associates merged with the SBI, the fall is perceptible. That this should happen when the stock market is otherwise in boom, should ring alarm bels to the owner, viz., GoI.



Source: CMIE Express, stock prices and ratios

Customer Focus and HR

The M & A issues now revolve round human resource management. Each Bank appointed persons on its own chosen platforms; they promoted and placed them in different positions according to their own rules; and the Union-Management relationships and negotiation strategies differ widely between the public sector and private sector banks and the RRBs. The integration issues are no longer horizontal and vertical but across and human. Problems may be same but the solutions differ with the efflux of time and changes in technology. Therefore, to swear by strategy that served well at one time would be the worst of follies. HR strategies range from recruitment policies of each bank to location of employees, relocation, transfers, cadre management and performance rating of employees. Each of these interventions has its implications for growth of the institution. For example, a private Bank like the South Indian Bank Ltd decided to give women employees who have their spouses residing in a foreign country to provide leave with pay and also bear travel costs to attract NRI business. It worked. Similarly, pregnant women were allowed to work from home and these interventions had a positive effect on organisational culture itself apart from work culture. Suppose such Bank, not that it is desirable to happen, merges with a public sector bank used to conservative HR policies, the merger has little chances of enhancing value for the M &A strategy.

Private sector banks' contractual arrangements provide better lever to tackle HR issues than the PSBs. Transforming HR architecture into a strategic asset is, therefore, crucial for a successful M&A strategy. It looks as though the SBI with the strongest Training infrastructure in the country is struggling to put its act together on this front.

It is important to recognize that the customers have affinity and loyalty to the Associate Banks as a legacy flowing from the Princely State Banks. Post merger, it is not loud whisper but a big bang, that the customers of the Associate Banks were feeling uncomfortable in the merged SBI. Primary data from a random survey done by me across three Associate Banks in Hyderabad, Rangareddy, Warangal, Bengaluru, reveal that all of them preferred to stay with Hyderabad Bank/Nizam Bank or Mysore Bank or Travancore Bank but have no option now. Similarly, employees of various cadres who even protested in the past against the merger through a nationwide strike say that they lost their moorings and feel that they have no option but to obey the rules of the new SBI either in placements or promotions. The SBI-ites look down upon the Associate Bank officers as inferior. Cross cultural integration requires 'co-ordination, cooperation, collaboration, and commitment'[38]

People related programmes relate to enhancing customer base, value and customer relationship through (1) periodical village visits by a group of staff led by an officer; (2) townhall meetings in urban and metro colonies in the operational domains of the branches; (3) interactive structured customer meets on days and timings mutually convenient for the banks and wide range of customers; (4) display boards in bank branches how many customer related grievances have been resolved without escalating them to the regional and zonal levels; and (5) dedicated windows for the aged, women, disabled etc. Customer segmentation made possible and convenient by computerisation provides an opportunity to serve the customers better than that obtains now.

Essential Process for Success

It is since the late 1980s, that research began to focus on the human dynamics and people management issues of M&As (Cartwright and Cooper, 1990)[39]. Schraeder and Self (2003)[40] believe "HR can make or break the M&As". Salame (2006)[41] compared the pre and post M&A phase to point out that neglect of HR issues led to failure of M&As. It was suggested that the senior executives need to encourage the participation of HR teams and employees in M&A process. Björkman and Søderberg (2006)[42] carried out an exhaustive study of M&As in financial services companies in the Nordic countries. The research led to the following conclusions- HR was not invited by the top management to play any key role in the post-merger integration process. The HR issues which posed serious problems to the management were cultural incompatibility and communication problems, insufficient due diligence, risk that can neither be shifted nor diversified, productivity loss, salary decline, downsizing staff, losing old customers and problems in labour demand. The findings by Shook and Roth (2011)[43] also supported the previous study. They found that HR practitioners were not involved in planning decisions related to downsizings, mergers, and/or acquisition. They, therefore, suggested that these practitioners need to play a more active role during the planning stages to ensure that training and development support the financial goals of these change events.

M&A success, therefore, requires simultaneous focus on two dimensions:

- addressing the most critical people issues, including staffing, communication, rewards, talent management, and culture; and
- using merger processes based on timeliness, honest leadership, prioritization in a complex environment, and effective decisions.

Professional challenge and growth, career progression, freedom, work-life balance assumes importance in acquisition where talented people are still driven by the same emotional and transactional needs. In a changed and charged environment of both merger and acquisition, preferences to filling the key positions with some known persons in the merged entity could lead to ignoring many similar persons of the merging entities in desperation. This could have adverse impact on the performance of the Bank.

Unfortunately, during the merger process, as revealed in the case of SB Associates merger with SBI, the speed of action did not allow the merged Bank to deploy the staff despite the availability of huge training infrastructure. Selection of staff for deputation to the training establishment in an era of uncertainty – as to their placement, transfer from branch to branch, one discipline to the other, impending promotions, retirements and replacements – proved near impossible.

Dissent from staff and customers of Associate Banks was silenced. Some States like Telangana and Kerala expressed their serious reservations on the merger of SBH and SBT respectively. Government of Kerala even approached High Court to prevent the merger of State Bank of Travancore with the SBI as Travancore Bank is the bank for the State Government like many other associates. GoI brushed aside such dissent.

This biggest PSB also had problems of leadership at the Managing Directors' level of Associate Banks. Associate Banks' Managing Directors were mostly at Deputy Managing Director cadre of the SBI. Several of them took to such positions just before their retirement. Save exceptions, most of these titular heads of Associate Banks, were more loyal to the king – the parent Bank causing injustice to the staff and cadres of the Associate Banks.

The voice of SBI initially to wait and watch for the merger was also silenced successfully by the owner. A year down the line, migration of accounts to the main platform has proved slow. HR issues are still in the resolution process. Poor management of loan accounts are hitting several retail and small enterprise borrowers. Discomfort of several managers is a silent agony. Merger announced branch shrinkage to 5000 and staff readjustments through retirees finding no replacement. Post merger reflected severe stress and anxiety when SBI increased the minimum balances for rural, urban and metro branches; steeply increased the service charges to compensate for its losses in interest revenue consequent on continuing credit decline.

Patti Hanson, a HR and M&A specialist believes that line managers and facilitators have a great role to play. She declares: "*They can set the tone for the transaction. Those selected are the leaders who* *will serve in the new combined organizations. They must be able to share the vision of the future company, understand the reasons for and benefits of the merger, and positively deliver the message to employees who may doubt the rationale for the transaction. With the proper commitment and conviction, the facilitators will begin to instill the excitement and pride that is so critical during times of stress and uncertainty".*[44]

Knowledge Managers can hold the mantle. Andrew Inkpen[45] an academic explains the concept:

"Internal managerial relationships facilitate the sharing and communication of new knowledge and provide a basis for transforming individual knowledge into organizational knowledge. Temporary transfers of talented individuals, internal workshops, visits to different points of organization help inter-cultural transformation to the envisioned organizational culture."

Such transformation is a time-taking process with no fissures in the transition. The result for the organization will be, therefore, in the long term. Bank management has to exercise patience in the interregnum.

Notwithstanding the disappointing merger experiences thus far, the government seems to be keen on creating some more mergers in the PSBs notwithstanding ten of them on watch list with MoUs for their turnaround. Within the country, there is stunning example of small banks in private sector performing better than their elder brothers. Even among the PSBs there are banks with regional flavour where the customer loyalties are contributing to their image and this would for sure take a beating if they allow some weak banks to join them at the behest of their owner, government.

Governance Holds the Key

It is not size that is the solution to the problems as much as good leadership and effective governance and the government maintaining arm's length distance from the governance and management of PSBs. Bank Board Bureau and Gyan Sangh's (2015) recommendations are yet to prove their effectiveness. The Bank Board Bureau has not claimed any success in cleaning the messy Indian banking now due to huge pile up of non-performing assets (NPAs) in public sector banks (PSBs) in particular, caused by more of funding long term infrastructure projects through short term resources, trying to seek a bail out through mergers and acquisition route, history would not spare the government. The second Gyan Sangam (Intellectual Confluence) has not offered any better wisdom than loud whispers of consolidation of banks. There is perceptible decline in right people for key posts. Four of the 21 PSBs do not have Chair persons. PCA imposed on 11 Banks has shrunk business in these banks putting them in worse position than before. Fixing troubled PSBs has been elusive mission, thanks to the political interference in business of lending in the past.[46] Bureaucracy seems to subvert discipline. It is doubtful whether the paucity of leadership can be addressed by shrinkage of the number of banks through consolidation.

It has been argued[47]: 'It is also important that the big banks start becoming humble and learn lessons instead of becoming conglomerates of unwieldy nature. Banking basics and customer service can hardly be bargained. Government would do well to restart the Development Banks to fund infrastructure projects and relieve the PSBs from this window as experience amply demonstrated that they are not cut for that job well due to their funding long-term projects with short term resources.'

Recent regulation restricting single corporate exposure to Rs.500cr in any Bank is well thought out and should restore the credibility once the IBC hopefully gives reprieve to the beleaguered PSBs. Government would do well to listen sane advice of putting further mergers on back burner until the results of SBI merger are out – may be it will take a couple of years.

Government would do well to promote development banks to fund infrastructure projects and relieve public sector banks as experience amply demonstrated that PSBs are not cut for that job of funding long-term projects with short term resources. Had the Development Finance Institutions been strengthened there would have been less compelling corporate lending.

In the context of the huge NPAs in the Energy sector in India requiring the Government to step in for a separate scheme to shore up the Banks in this sphere of lending and so in the areas where concentration risk led the banks to pile up huge NPAs reminds the view of Thomas Koenig, Kansas City Fed Reserve President said on 8 September 2011 in an interview to *Oklahoman* – mega banks needed break up. He rightly felt that individual institutions should not grow to a size that would let the nation fail going by the experience of Penn Square Bank failure in Oklahoma. “The Oklahoma City bank’s sketchy energy loans eventually led to the collapse of Chicago-based Continental Illinois, the largest bank failure in US history until 2008.”

In fact, the drivers of consolidation among banks should therefore be leadership, synergies, efficiency, cost saving, and economies of scale. Proactive communication, organisation structure revamp, and appropriate human resource integration would smoothen the course to integration.

Several Indian bank mergers in the recent past seem to belie these factors. Core values have taken a beating in the most ambitious path to growth where the confusion between big and great has come to prevail. The Bank that had the laudable slogan of the biggest bank for the smallest man now moved to the biggest bank for the elite. Bank has still not lost time to correct its direction of growth and attention to customers, both online and offline. It should get into a proud moment of others emulating rather than it emulating others, as it has happened thus far.

Cleaning up the boards and balance sheets would depend upon the Bankruptcy Act’s effective implementation. Since resolution has the last verdict at the end of 270 days, the industry must wait for at least one year for the results of NPA recovery to show up. In the meantime, the banks would have a huge hole in their capital due to the revised provisioning norms where IBC is applied.

Conclusion

Simon Johnson, a former chief economist of International Monetary Fund (IMF) arguing in his Project Syndicate column on ‘the End of Big Banks’, strongly supports the view that the time has come for review of ‘too big to fail’ theory and breaking big banks would hold better financial stability in a fragmented world.

It is important that the big banks start becoming humble and learn lessons instead of becoming conglomerates of unwieldy nature. Banking basics and customer service can hardly be bargained. Government would do well to start the Development Banks to fund infrastructure projects and relieve the PSBs from this window as experience amply demonstrated that they are not cut for that job well due to their funding long-term projects with short term resources. It would be worthwhile to consider even giving up the universal banking to ensure short term resources get expended for short term purposes and banks devote greater attention to sustained credit flow to the strategic sectors like agriculture, MSMEs, housing and real estate as also retail.

Jim Collins (2009)[48], recalls a metaphor: “I’ve come to see institutional decline like a staged disease: harder to detect but easier to cure in the early stages, easier to detect but harder to cure in the later stages. An institution can look strong on the outside but already be sick on the inside, dangerously on the cusp of a precipitous fall.” It is useful to recognise that while past accomplishments are no guarantee to future success, past failures can serve as good foundation for enduring success. To improve its own stock, government would do well to concentrate on improving governance in the PSBs, pledge not to interfere in loan sanctions, and move a resolution in the Parliament that no party would indulge in loan write off either for the farm or other sectors unless the areas are affected by severe natural calamities.

Viewing from the policy angle, mergers and acquisitions targeting size are no insurance to either financial inclusion or improved customer service and therefore need extreme caution. Further, higher capital allocation with or without Basel III cannot prevent bank failures triggered by systems, people and processes. The Indian banking system is facing difficult challenges. It is therefore, important to move strategically and not ideologically and emotionally.

References

"Care ratings Analysis," *The Hindu Business Line*, 18th August 2017.

______________(n.d.)."Integrating inter-culturally"[Available at: http://www.globalworkshop.com/merger.html]

"Reed: Reflections on a culture clash," Fortune, March 27, 2000.

Andre Inkpen (1998). Learning, Knowledge acquisition and strategic alliances, *European Management Journal*, 16(2), April.

Arvind Panagariya (2017). Economic Survey, Vol.2.

B. Rajesh Kumar & K.M. Suhas(2010). An analytical study on value creation in Indian bank mergers, *Afro-Asian J. Finance and Accounting*, 2(2).

Banks under PCA – On a Road to Nowhere, The Economic Times, 30 May 2018, P:14.

Bietel *et. al.,* (2004). Explaining M&A Success in European Banks, *European Financial Management*, 10(1), pp:109-139.

Björkman, I. & Søderberg, A.M. (2006). The HR Function In Large-Scale M&As: The Case Study of Nordea, *Personnel Review*, 35(6), pp:654-670.

Cartwright, S. & Cooper, C.L. (1990). The Impact of Mergers and Acquisitions on People at Work: Existing Research and Issues, *British Journal of Management*, 1(2), pp:65-76.

Chellasamy, P. & Ponsabarira, N. (2014). Performance Evaluation Of Mergers And Acquisitions Of Scheduled Commercial Banks In India, *Vidyaniketan Journal of Management and Research*, 2(1), pp:39-49.

De Long, G. & De Young, R. (2007). Learning by Observing: Information Spillovers in the Execution and Valuation of Commercial Bank Merger and Acquisitionsm, *Journal of Finance*, 62(1), pp:181-216.

Duvvuri Subbarao (2010). Financial Crisis: Some Old Questions and May be Some New Answers, *RBI Monthly Bulletin*, September, P:1717.

Financial Stability Report (15), Reserve Bank of India, June 2017, P:1 & 2.

Hanson, P, The M&A Transition Guide, John Wiley & Sons 2001, quoted in Chapter 6 of Marion Devine (2007), Successful Mergers, The Economist Books, p. 140.

Jarrell, G.A., Brickley, J.A. & Netter, J. M.(1988). The Market for Corporate Control: the Empirical Evidence since 1980, *Journal of Economic Perspectives*, 2(1), pp:49-68.

Jensen M.& Ruback R.S.(1983). The Market for Corporate Control : The Scientific Evidence, *Journal of Financial Economics*, No.11, pp:5-50.

Jim Collins (n.d.). *How the Mighty Fall*, Random House Business Books.

Kalra, A. *et. al.,* (2013). Wave of Mergers and Acquisitions: Are Indian Banks Going Up a Blind Alley, *Global Business Review*, 14(2), pp:263-282.

Kemal, M.U. (2011). Post-Merger Profitability: A Case of Royal Bank of Scotland (RBS), *International Journal of Business and Social Science*, 2(5), pp:57-162.

Khan, A.A. (2011). Merger And Acquisitions (M&As) In The Indian Banking Sector In Post Liberalization Regime. International, *Journal of Contemporary Business Studies*, 2(11), pp:31-45.

M. Anand & J. Singh(2008). Impact of Merger Announcements on Shareholder's Wealth Evidence from Indian Private Sector Banks, *Vikalpa*, 33(1).

M. Anand & J. Singh(2008). Impact of Merger Announcements on Shareholders' Wealth: Evidence from Indian Private Sector Banks,*Vikalpa: Journal for Decision Makers*, 33(1), pp:35-54.

M. Jayadev & R. Sensarma (2007). Mergers in Indian Banking: An Analysis, *South Asian Journal of Management*, 14(4), pp:20-49.

Mantravadi, P. & Reddy, A.V. (2008). Post-Merger Performance of Acquiring Firms from Different Industries in India, *International Research Journal of Finance and Economics*, 22, pp:193-204.

Marion Devine (2007). *Successful Mergers*, The Economist Books, P:18.

Marion Devine (2007). Successful Mergers, The Economist Publications, P:9.

Ministry of Finance, Government of India (1991). Reports of the Committee on the Financial System, P: 9, 45, 61,71

Ministry of Finance, Government of India (1998). Reports of the Committee on the Financial System,

Porter Michael E (1987).From Competitive Advantage to Corporate Strategy, *Harvard Business Review*, May/June, pp:43-59.

Raghuram G. Rajan (2011). *Fault Lines*, Harper Collins Publishers, P:173.

Ravenscraft, D. & Scherrer, F.M. (1987). *Mergers, Sell Offs and Economic Efficiency*, The Brookings Institute.

Ravichandran *et. al.,* (2010). Market Based Mergers in Indian Banking Institutions, *International Research Journal of Finance and Economics*, 37, pp:30-39.

RBI(1999). Working Group on Restructuring of Weak Public Sector Bank, February

S. Kuriakose *et. al.,* (2009). Voluntary Amalgamations in Indian Banking Sector: Valuation Practices and Adequacy of Swap Ratios. [Available at:http://Papers.Ssrn.Com/Sol3/Papers.Cfm?Abstract_Id=1653698].

Salame, R. (2006). Why Do Mergers Fail?, What Can Be Done To Improve Their Chances Of Success. [Available at: http://www.scribd.com/doc.109250180/Why-Do-Mergers-Fail#Scribd][Accessed 2013 Dec 12].`

Schraeder, M., & Self, D. (2003). Enhancing the Success of Mergers and Acquisitions: An Organizational Culture Perspective, *Management Decision*, 41(5), pp:511-522.

Shobhana & Deepa (2012). Impact of Mergers and Acquisitions on the Shareholder Wealth of the Select Acquirer Banks in India: An Event Study Approach, *The IUP Journal of Bank Management*, 11(2), pp: 26-31.

Shook, L.V. & Roth, G. (2011). Downsizings, Mergers, And Acquisitions: Perspectives Of Human Resource Development Practitioners, *Journal of European Industrial Training*, 35(2), pp:135-153.

Sinha, P. & Gupta, S. (2011). Mergers And Acquisitions: A Pre-Post Analysis For The Indian Financial Services Sector, pp: 2-36). [Available at:http://mpra.ub.uni-muenchen.de/31253/1/MPRA_paper_31253.pdf][Accessed on Nov 12, 2013].

Sony, K. *et. al.,* (2009). Voluntary Amalgamations in Indian Banking Sector: Valuation Practices and Adequacy of Swap Ratios. [Available at:http://Papers.Ssrn.Com/Sol3/Papers.Cfm?Abstract_Id=1653698][Accessed on 2014 Oct 14].

Viraal Acharya, Mathew Richardson, *et. al.,* (2011). *Guaranteed to Fail: Fannie Mae and Freddie Mac and the /debacle of Mortgage Finance*, Harper Collins Publishers

Y.V. Reddy(2017). *Advice and Dissent*, India: Harper Collins Publishers P:315.

Y.V.Reddy (2017). Advice and Dissent, New Delhi: Harper Collins, P:294.

Yerram Raju (2016). Why Consolidation of Indian Banks is no cure to the ills?, [Available at: www.moneylife.in/10062016/].

Yerram Raju, B(2017). Consolidation, Convergence and Competition of Banks in India [Available at:http://www.moneylife.in/article/consolidation-convergence-and-competition-of-banks-in-india/51196.html?utm_source=PoweRelayEDM&utm_medium=Email&utm_content=Subscriber%2327753&utm_campaign=Weekly%20Newsletter%2028%20July%202017]

Yerram Raju, B, "*Future of Rural banking in India*," Economic Times, 17th March, 1988.

Yerram Raju, B, "*Restructuring of Public sector Banks imminent*" Financial Express, 12th May, 1994.

Yerram Raju, B, "*Systems Approach need of the hour*," Financial Express, 24th April, 1991.

Yerram Raju, B, "*Preserving the character of public sector banks*," Economic Times, 12th February, 2000.

Acknowledgements

The author acknowledges with thanks very useful suggestions and comments of Prof. V. Bhanojirao, former professor of National University of Singapore and Member of Board of Gitam University, Visakhapatnam and anonymous official from a regulatory institution.

All the omissions and commissions are mine.

Journal of Governance & Public Policy
ISSN 2231-0924 Volume 8, No 1, January-June 2018 pp.89-97

The Philosophy and Ethos of New Public Governance with Reference to Government Performance Management

A. Sridhar Raj*

Performance management in government has been a tricky issue for a long time due to the fact that the functions of government are not only varied but do not fit into the traditional performance management box. Given the scope and breadth of the government activities, it is a humungous task to evaluate the 'government in action'. However, the advent of the New Public Governance (NPG) has opened new vistas of performance measurement for government activities. The ethos and philosophy of the government has undergone a huge change in the NPG era. The focal point is the delivery of services to the citizen using new institutions, structures and technologies which have come handy for the government. The paper illustrates how the reorientation of the government towards the NPG era has led to better and faster delivery of services to the citizens.

Keywords
New Public Government, Public Administration, Public Services, e-Governance

Introduction

The rationale of public administration delivering the public services is beyond doubt and cannot be disputed even though the quality of such services is questionable from quarters. Nevertheless, public administration as an agency of the state and its extended arm has been at the cutting edge of the delivery of the government services, since hoary past. However, since a few decades the nature and degree of public services have undergone a sea change, necessitating the debate around the conceptual and focal points of public administration. The debate has led to a renewed debate around what constitutions public administration and how can the administrative machinery made more effective and efficient towards the delivery of public services.

Public Administration as a Field

In the light of such changes, the roots of public administration as a neutral agency in carrying out the will of the people assumes significance as it is in those roots that the genesis of public administration can be traced, albeit, the actual machinery of public administration existed since the days of human kind. The systematic and focused study of public administration began with the 'The Study of Administration' by Woodrow Wilson who said that the object of administrative study is to "discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy." Therefore, the question

* Assistant Professor, Institute of Public Enterprise, Hyderabad and can be reached at sridharraj@ipeindia.org.

of public administration has always been what and how of the government activities which were under constant scrutiny of the sovereign called people.

The initial focus of public administration from what referred to the public policies and how referred to the execution of such policies assumed importance as numerous writers including Woodrow Wilson and Frank Goodnow to delineate public administration from the clutches of political science. Towards such an objective, the entire focus was shifted and thereby the art and craft of public administration was oriented towards the execution of public policies in the most effective and efficient manner, thereby creating a distinct status of the discipline of public administration. The characteristic features of public administration during that initial phase assume importance for both an academician and practitioner in the light of the changes in the nature and functions of public administration.

- Politics and administration dichotomy (Wilson, 1887)
- Focus on the rule of law (Osborne, 2006)
- Bureaucracy coterminous with the executive branch of the government (Goodsell, 2006)
- Building of bureaucracy
- Civil service domination
- Regulator and maintenance functions

The domination of those themes marked the first stage of public administration with a specific focus on executing public policies determined by the legislature and this phase lasted from the beginning of the 20th century till 1970s, of course marked by heightened and lessened government intervention from time to time, in both developed and developing world. This era is also marked by efforts made by the scholarly contributions to the field of public administration to increase its effectiveness and efficiency which made the discipline of public administration to borrow various concepts from several disciplines like anthropology, sociology, psychology, economics, polity, organizational theory, etc. All such additions, although strengthened and broadened the scope of public administration, weakened the focus of public administration as a separate discipline with a special focus on polity-administration dichotomy.

The bureaucratic nature of the civil service is the striking feature of public administration dominated by rule-oriented civil servants holding the polity and society for ransom. They amassed large tracts of the policy making arena and concentrated powers in them making the political depend on them for the execution of public policies. The over arching power of bureaucracy coupled with amateur political groups tilted the balance of power in favor of the former and public administration lived up to its title – executing public policies, but often trespassing into the domain of policy making.

The New Public Management

The New Public Management (NPM) is the result of the sustained efforts of the government elite, particularly the political with the support of the market leaders to cleanse public administration off its ills. The NPM which started in 1970s was the offshoot of the efforts to make public administration more effective and efficient on the lines of private organizations which are considered not only effective but efficient in most of the cases. The progressive movement began as a reaction against political machines and perceived subversion of democratic values through corruption and patronage systems that controlled who was elected to political office and who was rewarded with government employment. (Box, Richard, 2001)

The NPM movement spread like wild fire and public administration became an anathema for the scholars of public administration and the term, ‘New Public Management’ symbolized a break from the past and enabled the discipline of public administration move closer to the corporate world. The nexus between public administration and the corporate world enabled the former to adopt certain best practices from the latter resulting in improvised delivery of public services to the citizens on one hand and also gradual ascendancy of corporate world influencing the public policies. Certain areas of public policy – health, education, manufacturing, services, etc, gradually slipped into the hands of private players, who delivered better services.

Some argue that the Thatcherism in the late 1970s has led to the development of NPM which is accepted by many scholars across the world. Thatcherism focused on eradicating wastage in public enterprises on one hand and also increase their efficiencies on the other hand and the twin objectives were accomplished by pushing the private sector practices into the public sector and public service organizations. Even the critics argue that such efforts led to fruitful results in Britain resulting in the loss of preeminence of public sector enterprise and the public service agencies accepted the tools and techniques of private sector. Some of the characteristic features of NPM include the following:

- Efforts towards cost cutting and increasing efficiency
- Adoption of managerial principles and practices from private sector
- Minimizing the power of traditional bureaucracies
- Introduction of market mechanisms for better service delivery
- Increased focus of citizen centric public systems
- Move towards contractual appointments

Richard Box opines that the "market-based model includes the familiar elements of shrinking government and making administration more efficient through use of private-sector performance-management and motivation techniques. It advocates treating citizens like customers, separating public administrators from the public policy process, and convincing both that government is nothing more than a business within the public sector. This market-based model includes the familiar elements of shrinking government and making administration more efficient through use of private-sector performance-management and motivation techniques. It advocates treating citizens like customers, separating public administrators from the public policy process, and convincing both that government is nothing more than a business within the public sector." (Box, 2001)

The NPM had no doubt led to increase in effectiveness and efficiency of the policies and programmes for all those government which have adopted the approach towards better delivery of services. Although, the movement was limited mostly to the OECD countries, it generated a lot of enthusiasm among the scholars of public administration in the third world. The obvious outcome of such enthusiasm being renewed focus on the efforts towards integrating the private practices – both managerial and technical into the public systems with a view to enhance the effectiveness and efficiency of the government programmes.

New Public Governance

The New Public Governance (NPG) model encompasses dimensions like social governance, institutional relationships, organizational networks, outcome based governance, etc, with a significant amount of work getting shifted towards Information and Communication Technologies (ICTs) and the evaluation of the outcomes of the government using measurement scales. Some of the elements of NPG according to Osborne include the following:

- Organizational sociology and network theory
- Plural and pluralist
- Inter-organizational governance

- Service processes and outcomes
- Preferred suppliers, and often inter-dependent agents within ongoing relationships
- Trust or relational contracts
- Neo-corporatist

However, the list is just indicative of the focus of NPG keeping in view the changes happening across the institutions of governance in different countries. A cursory look at the trends and practices which have seeped into the public systems in a decade or two makes interesting findings to be noted by the scholars of public administration. In fact, the term public administration itself has undergone a tremendous change and no longer is the term public administration in vogue as the term is replaced by governance. Although the meaning of governance is subject to discussion among the scholars of public policy and public administration, it encompasses all those practices which were not within the scope of public administration and they include the following:

- Civil society
- Social and financial inclusion
- Stakeholder diversity
- Information and Communication Technologies
- Role of private players in public service delivery
- Collaboration between state, market and civil society
- Productivity and performance management

The shift from public administration to New Public Management in the late 1970s and towards New Public Governance with the advent of liberal and open trade between the nations across the world has the following dimensions.

A Comparative Perspective of Public Governance

Factors	Public Administration	New Public Management	New Public Governance	New Public Governance in Action
Structure	Hierarchical	Flat	Networks	
Culture	Secrecy	Translucent	Transparent	RTI
Players	State	State and market	State, market and civil society	CSR
Tools	Traditional tools and methods	Adoption of private practices	Information and Communication Technologies	e-governance
Nature	Regulatory	Facilitator	Minimalist	Regulators
Outcomes	Execution of public policy	Execution of public policy + efficiency	Execution of public policy + efficiency + inclusion	Financial inclusion
Location	Public	Private	Public and private	Public private partnership
Performance	Output	Output + outcome	Output + outcome + measurement	PMD

A cursory look at the above table provides how the institution and nature of public systems has shifted over a period of hundred years and this has provided enough impetus for the scholars of public administration to search for a new identity for public administration as a discipline and also for practitioners to maximize and minimize governance in the areas based on the requirement basis. The broad parameters of NPG did not exclude the original tenets of public administration but enfolded new ones to enhance the scope of public administration but at the same time minimize the effort of the government in the delivery of services by collaborating with the private players and also using the Information and Communication Technologies.

First, the focus of NPG is more oriented towards dismantling the traditional hierarchies, not only in physical sense but psychological as well. Almost all the public bureaucracies across the world are governed by the agencies marked by hierarchies and even today, the prevalence of hierarchy is very high. However, the focus of NPG is more towards minimizing the impact of hierarchical structure on the effectiveness and efficiency of public policy, both in its formulation and execution. The focus of NPG is more towards creation of networks among various state and non-state players towards the public welfare goal.

Second, the NPG is more focused on increasing transparency of government activities and programmes which was not the case earlier, say two or three decades. The transparency levels across the governing institutions have increased like never before and the major credit goes to the Information and Communication Technologies (ICTs). The impact of ICTs on the organizations – both public and private is so huge that the nature and functions of the organizations have altered like never before. The government agencies could not remain aloof from the ICT revolution and got engulfed in the ICT tsunami – e-governance, which increased their productivity and performance levels tremendously.

While speaking about e-governance initiatives of the government agencies, Darrell West observed that there are three characteristic features of changes pertaining to transformation power of technology and they include i) long-term versus short-term impact, ii) big versus little shifts, and iii) technocratic versus political and institutional alterations. Although he was skeptical about the shortfall in terms of expectations of e-governance, he was positive about its power to increase the overall effectiveness of the government agencies. He states that, “I argue that, in some respects, e-government has fallen short of its potential to transform government service delivery and trust in government. It does, however, offer the prospect of enhancing democratic responsiveness and boosting beliefs that government is effective.” (West, 2004)

Third, the state is not the only player in the delivery of public goods and services but the market and civil society are also playing a major role and the triad of state, market and civil society has altered the landscape of governance. The government has roped in market players and civil society to augment its efforts towards fulfilling the public welfare objectives. Public private partnership is one of such concepts which has raised the overall productivity and performance of the government. Although everything is not right in such partnerships, the option seems to be too attractive to ignore by the governments in strengthening the hands in improving the quality of the delivery of public services.

Richard Ghere in his article on public private partnerships has made certain observations pertaining such partnerships which are worth considering with regard to the discussion on such partnerships. According to him the shift towards public private partnerships happened to reduce the costs on one hand and to improvise the quality of services on the other hand. However, the author was conscious about the issues pertaining to the ethics and accountability of public private partnerships. He was skeptical about such partnerships and states that “both perspectives may inform the initial privatization decision, but neither offers public managers much guidance after policy makers opt for such ventures.” (Ghere, 2001)

Fourth, the ICTs have ushered a new form of governance wherein the delivery of services are taken to the door steps of the citizens. The ICTs have enabled not only the transformation within the government organizations but have impacted their overall effectiveness and efficiency. The e-governance measures initiated across the government agencies all over the world have led to the following:

- Better delivery of services
- Faster delivery of services
- Minimal discretionary acts of the civil servants
- Faster decision making
- New models of public service systems
- Reliability of data
- Better usage of data
- Reduction of malafide practices
- Increased transparency

While romanticizing the impact of technology on governance, Akhlaque Haque, states that, "As computers become more widespread, average people will use information technology to amplify their voices in matters related to their own governance." The impact of technology on governance and its processes can be understood in the light of government transactions shifting to the virtual arena. As more and more governments move towards the adoption of technology, computers become the basic tools of enhancing the effectiveness and efficiency of government activities – data base management, beneficiary identification, data processing, delivery of services, inter-government transactions, etc.

That apart, a large number of benefits followed which have been to the useful for the citizens and that apart, ICTs have enabled the government agencies to overcome drudgery and focus on more productive activities. Fifth, NPG is not about playing an active role in the public affairs but ensuring that the government agencies and structures are minimal in the delivery of public services. The shift from regulator of society and economy led to an active role of a facilitator. The state played an important and active role in the provision of goods and services, more so in the developing countries with the help of state public sector enterprises. These state public sector enterprises took an active role of service providers to the citizens and they did a commendable job, but over a period of time they fizzled out in their role. This necessitated the government to withdraw from an active facilitator role to a minimalist role. The minimalist role is all about donning those roles which are either essential or mandatory for the state, else the it is all about minimum governance.

Sixth, the NPG is about more than efficient execution of public policies and is more about inclusion – financial, racial, social, economic, gender, etc. What does it imply? The implication of such an inclusive philosophy of the state is the adoption of those acts and activities aimed at including the marginalized sections of the society who have either been neglected in the past or have missed the bogey of inclusion for various reasons. The inclusion philosophy is not just an ideal but is a platform for the government to showcase its sincere endeavors towards a comprehensive approach of development and amelioration.

Seventh, the domain of the state earlier was public in the sense that whatever it did was within the four walls of the government agencies and there was a minimal role for the private players. The state was the active in policy formulation and its execution leaving either no space of minimal space for the private players to provide certain critical services. However, over a period of time the state found itself in a constrained position to deliver certain goods – power, infrastructure, etc, and this called for an active assistance of the private players to take the lead in the form of public private partnership. The PPPs have become the norm in the era of NPG and PPPs are one of the importance characteristic features of NPG which have symbolized a new era of governance.

Performance Management System

Performance is the core philosophy of NPG. All elements put together may indicate the direction in which the state is inching to meet the citizen needs. The citizen has become the focal point of governance as a part of NPG. The focus is all about better performance of the government agencies and public institutions so as to serve the citizens better. Hence, the endeavor of enhancing the performance of the state at all levels – cost, delivery, time, productivity, learning, number of citizens served, output achieved, etc.

The literature of governance too indicates that there is more focus on performance management for better service delivery with citizen as the serving point using the ICTs and other modes of governance. Moynihan has focused on performance management from the perspective of increased learning so as to make better performance decisions in government agencies. (Moynihan, 2005). Apart, from making the learning one element of better performance the focus is also about adopting results as the parameter of judging the performance of the government agencies.

James Swiss opines that the government agencies increase their overall effectiveness by adopting results based management as he opines that the “agencies with results-based systems also share the belief that their new systems will make their organizations more outcome oriented, proactive, and agile, leading to greater overall effectiveness.” (Swiss, 2005) He opines that the results based management comprises of three components and they are information, capacities and incentives.

Similarly, Daniel W. Williams opines that the literature on public administration focused on increasing the overall performance of the government agencies to make the processes more productive. According to Williams, the focus of the government activities is to ensure how the public objectives can be met. “The general thesis of these books is that government needs to observe itself to see whether and how it meets public objectives how it uses resources to do so, and how its processes can be made more productive.” (Williams, 2003) He further states that while measuring the performance of the government agencies, one should not focus on inputs and output only. The emphasis should be on outcomes like citizen satisfaction and this is possible benchmarks are established on the basis of best performance and improving productivity over a period of time.

Eran Vigoda came out with his Public Administration – Citizen Interaction model which placed a clear emphasis on an collaborative of the administrative system. He emphasized the fact that citizens and government are partners and interaction is inching to the next level where citizens will become the owners of the interaction with the government. From responsiveness, the interaction has move to collaboration and it expected to move towards citizen coerciveness, where the citizens will coerce the governing agencies for better and qualitative services. (Vigoda, 2002)

The public agencies need to bring in customer-centricity as the customer in the capacity of receiver of services from the government needs to acknowledge the quality and standards of the services. By focusing on the customer, the processes and practices need to be reengineered which will not only cut down the unnecessary activities but also smoothen the entire process. Provan and Milward echo similar views by focusing on customer groups. “By satisfying customers and by maintaining a customer-driven focus, the organization will presumably be effective, not only to its customers and clients, but also to other stakeholders, such as suppliers, shareholders, and employees, all of whom stand to benefit by reaping the rewards that accrue to a customer-driven organization.” (Provan and Milward, 2001)

However, performance measurement or performance management in government agencies is of mired in complexities given the stakes involved in the execution public policies and also the difficulty in measuring the effectiveness of the outcomes of the government programmes. For example, it is difficult to measure the effectiveness of an educational programme given the unattractive service conditions of the teachers which results in less motivation among the teachers. This in turn impacts their performance of the teachers impinging on the overall effectiveness of the efforts of the governmental agencies towards qualitative education. However, the private sector organizations stand on a different footing given their focus on bottom line which is very clear and the efforts towards the accomplishment of a clear goal is easy compared blurred goals.

The one-dimensional focus of private sector organizations enables them to have less distractions and focus more on profits, which is not the case of public agencies as they are saddled with multiplicity and duplicity of goals and are controlled by multiple overseers – legislature, executive, judiciary, people, press, civil society, etc, making the things difficult for measuring their performance from an objective perspective. Arthur Books too opines that, "Performance measurement in the public sector would be much simpler if there were some analog to the commercial sector's pursuit of profit, which is both quantifiable and one-dimensional. For government, however, the objective is neither one-dimensional nor especially well defined." (Brooks, 2002)

Nevertheless, the endeavors of the governments all over the world whatever may be the reasons – globalization, internet revolution, scarce resources, financial integration, domination of market economies, emergence of strong trade blocks, ascendance of ICTs, impact of private organizations, etc, an era of new governance, called NPG has emerged and its hallmark is not just execution of public programmes but take cognizance of various elements, players and issues towards better performance management it affairs, resulting in the measurement of government performance.

If performance measurement is one of the important tenets of New Public Governance, the next step would be measure the right things in right quantities using right metrics. However, determining the right thing for the measuring the performance of a government agency is not only difficulty but fraught with hazards of missing out certain invisible benefits in the long run. The invisible benefits may actually turn out to be better indicators of government's performance in the long run rather than the performance indicators in the short run. The question is the quantitative dimensions which may make the entire measurement process difficult and the governments may find it difficult to measure the quantity dimension as well. Nevertheless, the unwavering emphasis on measuring the performance of the government agencies has opened new vistas of performance management tools and techniques, albeit they are not new, but their application for the government agencies may be considered new and path breaking.

Conclusion

The NPG is the buzz across the governments across the world and it is the duty of the administrators across the government agencies to focus on the implications of NPG in true sense and give it a fair chance for trial. Given the promises offered by the NPG, it is time that the tenets of NPG are applied with full force so as to reap its benefits. However, the NPG could be successful only if the government agencies and the administrators are serious in its execution; else it becomes another New Public Administration and another New Public Management.

References

Akhlaque Haque (2001).GIS, Public Service, and the Issue of Democratic Governance, *Public Administration Review*, 61(3), May/June.

Arthur C. Brooks (2002). Can Nonprofit Management Help Answer Public Management's 'Big Questions?", *Public Administration Review*, 62(3), May/June.

Charles T. Goodsell (2006). A New Vision for Public Administration, *Public Administration Review*, 66(4), Jul. - Aug., pp: 623-635.

Daniel W. Williams (2003). Measuring Government in the Early Twentieth Century, *Public Administration Review*, 63(6), November/December.

Darrell M. West (2004). E-Government and the Transformation of Service Delivery and Citizen Attitudes, *Public Administration Review* , 64(1), January/February.

Eran Vigoda(2002). From Responsiveness to Collaboration: Governance, Citizens, and the Next Generation of Public Administration, *Public Administration Review*, 62(5), September/October

James E. Swiss (2005). A Framework for Assessing Incentives in Results-Based Management, *Public Administration Review* , 65(5), September/October.

Keith G. Provan & H. Brinton Milward (2001). Do Networks Really Work? A Framework for Evaluating Public Sector Organizational Networks, *Public Administration Review*, 61(4), July/August.

Richard C. Box *et. al.,* (2001). New Public Management and Substantive Democracy, *Public Administration Review*, 61(5), September/October.

Richard K. Ghere (2001). Probing the Strategic Intricacies of Public-Private Partnership: The Patent as a Comparative Research, *Public Administration Review* , 61(4),July/August.

Stephen P. Osborne (2006). The New Public Governance, *Public Management Review*, 8(3), pp:377-387.

Woodrow Wilson (1887). The Study of Administration, *Political Science Quarterly*, 2(2), June, pp:197-222.

ABOUT THE AUTHORS

Dr. M. Jegadeeshwaran

Dr. M. Jegadeeshwaran, M.Com., M.Phil., Ph.D., is Assistant Professor, Department of Commerce, Bharathiar University, Coimbatore. He has put in 20 years of teaching in the field of commerce subject. Previously, he served at various Governments Aided Colleges. He authored three books namely Privatization - An Experience in India, Fundamentals of Business Organisation and Emerging Research Paradigms in Social Sciences. He has published 67 papers in various national and international journals. He has presented 70 research papers in national and international seminars. He has guided 6 Ph.D scholars and 15 M.Phil scholars and he has completed an UGC Major Research Project. He also delivered lectures at various colleges and universities. He presented a paper in international conference at Taylor's University, Kuala Lumpur, Malaysia. He Can be reached at drmjegadeesh@gmail.com.

Mr. M. Basuvaraj

M. Basuvaraj, M.Com., M.Phil., is Pursuing Ph.D and an UGC – Senior Research Fellow in Department of Commerce, Bharathiar University, Coimbatore. He has published 14 papers in various national and international journals. He has presented 10 research papers in national and international seminars. He has attended 4 Research Methodology workshops. He can be reached at basuvarajm93@gmail.com.

Dr. Bharati Garg

Dr. Bharati Garg is an Assistant Professor, Department of Public Administration, Panjab University, Chandigarh. She obtained M.A., M.Phil. and Ph.D. in Public Administration from Panjab University, Chandigarh. She has published many papers in journals and books of repute. She has presented papers in number of national and international seminars / conferences. She has vast teaching experience and has been teaching different papers of Public Administration like Public Policy, Human Resource Management, Administrative Theory, Administrative Thought etc. Her main areas of interest are public policy, education administration, development administration, social welfare, rural and urban local government etc. She can be reached at bharatig@pu.ac.in.

Dr. Rakesh Kumar Singh

Dr. Rakesh Kumar Singh is working as a consultant to the 15th Finance Commission at the National Institute of Public Finance and Policy, New Delhi. He has previously worked as urban economist at Institute of Social Sciences, New Delhi. His research areas are primarily urban governance and policy. He holds a Ph. D in law and governance from Jawaharlal Nehru University, New Delhi. He did his Master's in economics from University of Hyderabad, Telangana. He can be reached at rakeshks.jnu@gmail.com

Mr. Chetan Agrawal

Mr. Chetan Agrawal graduated from the London School of Economics with double Masters degree in Human Resource Management and Public Policy. He has 12 years of work experience in HR management. He is currently working as Policy Analyst in the Millennium Foundation. He has authored articles in the field of management and public policy which have been published in leading academic journals. He can be reached at Chetan.Agrawal@alumni.lse.ac.uk

Dr. Sindhu Thulaseedharan

Dr. Sindhu Thulaseedharan is presently Head, Department of Law, University of Kerala. She has 16 years of PG Teaching Experience in Law . She has published several Articles in Law and other Journals. She has also undertaken various Projects and is the Coordinator of Teacher Training Programs in the UGC-Human Resource Development Centre, University of Kerala. She is currently the Secretary of the Kerala University Women's Forum and also the Member of Committees on Library Policy, Gender Policy, Information Technology, Start Ups, Community Radio Services and of *Daikshanic Pariavaran* – a Kerala State Higher Education Council Project. She can be reached at sindhu.thulaseedharan@ gmail.cm.

Dr. Yerram Raju

Dr. Yerram Raju, a Post Graduate in Economics from Sri Venkateswara University in 1962 with distinction and a Doctorate in Commerce and Management from Andhra University in 1984 is a banker turned economist and risk professional. He was Senior management executive for near three decades with SBI; professor of LBSNAA, Mussoorie, Dean of Studies, ASCI, Head of IPE, Director, Indian Institute of Economics and as consultant to World Bank, UNCTAD, UNIDO, Government of India and Government of AP and Telangana. He was for six years Regional Director of Professional Risk Managers' International Association (Wilmington), Hyderabad Chapter. He is presently Adviser & Director, Telangana Industrial Health Clinic Ltd., Government of Telangana. Member of Jury of Asia Pacific Bankers' Association, Manila (2003 & 2004) on SME sector, and International Man of the Year 1990-91; Authored 15 books and over 2000 articles in prominent dailies and international journals. Economic Times, Business Standard, Financial Express, The Hindu and The Hindu Business Line. Among host of International and National Seminars, those on SMEs and Risk management at Manila (2004 and 2005); Reuters' Round Table on Risk Management at Geneva (2005); Kuala Lumpur (2003, 2004, 2011) stand out.

Mr. Wondimnew Kindu Wubneh

Mr. Wondimnew Kindu Wubneh was a Mayor of Mekane Eyesus town administration for more than 3 years. He did his masters degree in Leadership and Good Governance from Ethiopian Civil Service University, Addis Ababa. Right now he is vice department head of South Gondor Zone Trade, Industry and Market Development, Amhara National Regional State. He can be reached at wondie1977@ gmail.com

Dr. Santap Sanhari Mishra

Dr. Santap Sanhari Mishra is an Associate Professor at Institute of Leadership and Good Governance (ILG) of Ethiopian Civil Service University (ECSU), Addis Ababa. Prior to that he was working in various organizations at India and Tanzania. He got his MA, M.Phil and Ph.D degree in Public Administration and also MBA from Utkal University, Bhubaneswar, India. He can be reached at santap.mishra@ gmail.com

Dr. A. Sridhar Raj

Dr. A. Sridhar Raj is an Assistant Professor at Institute of Public Enterprise (IPE), Hyderabad since 2007 and is associated with teaching, consultancy and training activities. He is involved in training, teaching and consultancy activities. At IPE, he has designed and delivered training programmes for the executives of public sector enterprises. He is also a member of the Case Study Center at IPE and has attended FDPs at IIMK, IIMC, IIMB and IIMA. He is involved in teaching the papers like Organization Behavior, HRM and Organization Development. He can be reached at sridharraj@ipeindia.org.

INSTITUTE OF PUBLIC ENTERPRISE

Guidelines for Authors

The article should be in English language, British style. For spelling, grammar and syntax, the Oxford Dictionary and HW Fowler's Dictionary of Modern English Usage are to be followed. The suggested length is 5,000 to 8,000 words. The article should be typed in double space on only one side of A-4 size paper and sent in hard copy and also by email in MS Word format.

An abstract, not exceeding 300 words, typed on a separate sheet should accompany the article.

Three / four Keywords should also be given to facilitate Internet access. These should be placed immediately below the abstract.

Please include a resume of the author(s) in about 10 lines for inclusion in the section entitled 'About the Authors'. This should include the latest designation, a bit about the academic and professional experience relevant to the article, complete postal address and email. The Telephone number(s) may also be furnished.

Articles sent for publication are processed through a blind referral system by experts in the subject areas.

Levels of Headings

The title of the article should be in capitals, bold letters, and placed in the centre of the page, as indicated below:

GLOBALISATION AND LOCAL GOVERNMENT

The article should be divided into Sections and Subsections as may be appropriate. Section headings should be in capitals, smaller font, bold letters, and placed in the centre of the page, as indicated below:

IMPACT OF GLOBALISATION

Subsection headings should be in regular alphabet, smaller font, bold letters, and placed in line with the text on the left side margin, as indicated below:

Implications for India

If there is need to have further division of the subsection, the heading should be in regular alphabet, same size font, bold letters, and placed at the beginning of the first paragraph of the subsection concerned, as indicated below:

Challenges Involved Text of the article to be continued normally.

Do not use 1.2, 4.3 style of shoulder headings

References

References should be embedded in the text as follows: (Laski 1960:19). If more than one reference is to be given, they should be first in alphabetical and then in chronological order, as follows: (Babu 2006:51; Rosenau 2006:29; Wagner 1960:34).

Footnotes should be used only for explanation or relevant comment; and should be kept to the minimum; placed at the bottom on the corresponding page; and numbered sequentially.

A consolidated list of all books, articles, theses, monographs, documents and all other materials referred to should be typed in double space and placed at the end of the article. They should be listed in alphabetical order by the author's last name followed by the first name or initials, etc., as used by the author. If, there are two or more references to the same author, they should be placed in chronological order with the latest first and so on.

The detailed style of referencing is as follows:

For books

Laski, Harold J. 1960 Grammar of Politics, London: Allen and Unwin

For articles in periodicals

Laski, Harold J. 1954. "Political Parties in England," Political Studies, Vol. 56, No.4, pp: 29-44

For chapters in an edited book

Rosenau, James N. 1988. "New Dimensions of Security: Turbulence in International Politics," in George Ross, ed. Security in a Globalising World, New York: Macmillan

For article in a newspaper

Subramanyam, K. 2008. "India Has No Nuclear Strategy," Times of India, September 6, p.11

Tables and diagrams

All tables, diagrams and other graphics must give the source(s) in full (as in footnotes) immediately below the concerned table/diagram.

Articles should be sent to:
The Editor
Journal of Governance & Public Policy
Institute of Public Enterprise
OU Campus, Hyderabad - 500007, Telangana, India. Ph: +91-40-27098145/9378/9379, Fax: +91-40-27095183
E-mail: editorgpp@ipeindia.org, Website: www.ipeindia.org

INSTITUTE OF PUBLIC ENTERPRISE

COMMON SUBSCRIPTION FORM

To
The Publications Division,
Institute of Public Enterprise,
OU Campus, Hyderabad - 500 007
Telangana, India.

Dear Sir / Madam,

I/We wish to subscribe for the following Journal(s) for _______year(s) from __________ to __________.

S. No.	Journal Title	Annual Subscription Rates				Put a Tick (√) for Selection
		For India			For other countries	
		Individuals ₹	Academic Libraries ₹	Corporates ₹	Foreign Subscribers (US$)	
1	Journal of Economic Policy & Research	1500/-	2000/-	3000/-	200	
2	Journal of International Economics	1500/-	2000/-	3000/-	200	
3	Journal of Marketing Vistas	1500/-	2000/-	3000/-	200	
4	The Journal of Institute of Public Enterprise	1500/-	2000/-	3000/-	200	
5	Journal of Governance & Public Policy	1500/-	2000/-	3000/-	200	
6	IPE Journal of Management	1500/-	2000/-	3000/-	200	

Please find enclosed herewith a Demand Draft / Cheque, bearing No. _____________ drawn on Bank _______________________________ dated_______________for Rs/US$. __________________

(In words)____drawn in favour of "**Institute of Public Enterprise**", payable at Hyderabad. Please effect the subscription from next issue onwards.

Names of the Journals for which subscription is sent:

1.______________________________________ 2.______________________________________

3.______________________________________ 4.______________________________________

5.______________________________________ 6.______________________________________

Journal Dispatch Address:

Name of the Individual / Organization____

Address____

City__________________ Pin_____________ Country______________ Ph. No._______________

Mobile No.____________________ E-mail Address____

Signature: **Office Seal:**


Institute of Public Enterprise

Institute of Public Enterprise (IPE), Hyderabad, is a non-profit educational society devoted to Education, Training, Research and Consultancy for business enterprises in public and private sectors. IPE is a premier B-School and is recognised as a 'Centre of Excellence' by the Indian Council of Social Science Research (ICSSR), Ministry of HRD, Government of India, for doctoral studies. It is also recognised by nine universities for guidance of PhD scholars. It has developed strong links with industry and academic institutions and is the founder member of the Association of Indian Management Schools (AIMS).

IPE strongly believes that HR development including education is crucial for economic growth. As part of its long-term education programme, the Institute runs an AICTE-approved PG Diploma in Business Management, which is also recognised as equivalent to MBA by the Association of Indian Universities (AIU). Added to it, the Institute offers MBA in Public Enterprise for practicing managers in collaboration with Osmania University. With the changing needs of the industry, the Institute also runs sector-specific PGDM programmes in Retail & Marketing, Banking, Insurance and Financial Services, Biotechnology and International Business, as well as an Executive PGDM programme.

The Institute has a strong research wing with a number of research scholars, sponsored by ICSSR and IPE, working on topics of current interest. Its PhD programme is one of the largest in social sciences. Research, both basic and applied, is the forte of the Institute and helps it in its training and educational activities. IPE's research studies are extensively used by the Committee on Public Undertakings (COPU), other Legislative and Government Committees, the Economic Advisory Council to the Prime Minister, several Ministries of the Government of India, Planning Commission, Standing Committee on Public Enterprises (SCOPE) and several Finance & Pay Commissions.

Apart from Journal of Governance & Public Policy, IPE also publishes six other journals titled:

- The Journal of Institute of Public Enterprise
- Journal of Economic Policy and Research
- Journal of Marketing Vistas
- Journal of International Economics
- Indian Journal of Corporate Governance
- IPE Journal of Management


United Nations

The United Nations (UN), with more than 190 member states, is the most important institution in the area of global governance.

Whatever may be its real and perceived inadequacies, the UN and its specialised agencies constitute an ever-growing realm of voluntary and not-so-voluntary compliance of international laws, rules, regulations, conventions, and practices by nation states and peoples around the world.

By all accounts, the UN system of the post-War vintage needs to be reformed and restructured to reflect the radically transformed global power structure implementation in the 21st century. Till that happens, the UN is the only 'inter-national' governing body available for mankind.

As such, no serious study of governance & public policy is complete without including the world body in its ambit.

INSTITUTE OF PUBLIC ENTERPRISE

Shamirpet Campus, Hyderabad - 500101.
Phone: +91-40-234 90 900 Fax: +91-40-234 90 999
www.ipeindia.org E-mail: editorgpp@ipeindia.org Website: www.ipeindia.org

Registered with the Registrar of Newspapers in India under Serial No. APENG/2011/45385