

VOICES WITHIN: EXAMINING WHISTLEBLOWING DYNAMICS IN INDIA'S IT SECTOR

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ABSTRACT

Financial frauds, corruption and trafficking of organizational resources have become a regular phenomenon in Indian corporate houses. Since numerous big corporations have collapsed due to unethical organizational practices, the Indian government following the footsteps of developed nations has made establishing whistleblower policy and vigil mechanism a mandate. Whistle blowing involves disclosing unethical, illegal or corrupt practices to internal or external authorities. Reforming the way businesses operate in modern India, whistle blowing seeks to ensure good corporate governance. Employees who work closely with management are generally aware of the corporate wrongdoings as was evident in earlier corporate scams too. However, it is only occasionally that organizational members come out of the closet to report illegitimate practices. A host of factors affect employees' willingness to blow the whistle. Since existing literature concentrates on whistle blowing practices in western part of the world, this paper seeks to empirically understand the perception of Indian employees on this recent reform. Results of parametric tests i.e. t-test and ANOVA applied on survey data collected from employees of Indian IT (Information Technology) companies suggest that the factors affecting whistle blowing intentions of employees differ on the basis of their demographic profile.

Keywords: Whistle Blowing, Whistle blower Protection Act, Corporate Governance, IT Sector.

INTRODUCTION

Whistle blowing refers to the act of disclosing unethical, illegal or corrupt practices to those authorities who can take an action to stop the wrongdoing. It is undertaken with an objective to serve greater public interest. In (Nader et al., 1972) U.S. Consumer Activist who coined the term 'Whistleblowers' in the early 1970s defined whistle blowing as "an act of a man or a woman who, believing in the public interest overrides the interest of the organization he serves, publicly blows the whistle if the organization is involved in corrupt, illegal, fraudulent or harmful activity." In India, the number of big corporate houses involved in corrupt and illegal practices has risen over the last decade. It is not uncommon to find wrongdoings such as financial frauds, money laundering, corruption and trafficking of organizational resources becoming a regular feature in various Indian corporations. Another feature that is common in majority of the recent corporate scams is that people working in the organization were aware of the wrongdoing and some of them even chose to report it before the corporation actually collapsed.

Whistle blowing acts as a control mechanism and adequate implementation of the whistle blowing policy can lead to good corporate governance. Blowing the whistle in time and taking immediate corrective actions can save the organization from collapsing. Employees possessing significant amount of information concerning their workplace are expected to report the wrongdoings. A report by Association of Certified Fraud Examiner,

2010 claims that wrongdoings are no longer uncovered by the conventional ways of audit reports but are disclosed by the high signs given by the employees. However, it is not always that employees, who are aware of the wrongdoings, blow the whistle also. They are often prevented by the consequences of blowing the whistle. Across the globe, whistleblowers have quite often experienced retaliation and reprisal from the management as well as the wrongdoers. In some cases, whistle blowing has led to extreme consequences such as kidnapping and murder of the whistleblowers. In India itself, one cannot forget the incidences of murders of Mr. Satyendra Dubey, Mr. Shanmugham Manjunath among many others for reporting wrongdoings. Following these heinous incidences, Right to Information Act was passed in 2005 and later on in 2014, Whistleblower Protection Act was enacted to provide adequate protection to the whistleblowers.

Whistle blowing is a complex blend of various individual, organizational and situational factors. Constant interactions among these factors influence the whistle blowing intentions of the observers of the wrongdoings. With this background in mind, this paper seeks to identify the relationship between whistle blowing intentions of the employees and select determinants of whistle blowing.

LITERATURE REVIEW

According to (Miceli & Near, 1988), certain individual and situational correlates of whistle-blowing make people undertake a pro-social behavior such as whistle-blowing. Studying the data of 1984 U.S. Merit Systems Protection Board, they claimed that those employees are more likely to report the wrongdoings who (i) hold professional positions in the organization; (ii) have more positive reactions to their work; (iii) have longer service tenure; (iv) have been recently recognized for good performance; and (v) are working in larger work team. Whistleblowing intentions of the employees also depend upon his attitude towards whistle-blowing, the psychological pressure to conform to social norms, and the perceived behavior control. According to (Ponnu et al., 2008), the intentions to blow whistle are influenced by the three determinants of the Theory of Planned Behavior and observers are more likely to report the wrongdoings externally rather than internally for fear of retaliation or for the absence proper channels to report wrongdoings. Thus, the employees' intention to report misconduct is a complex phenomenon based on several factors, including organizational (ethical climate, size of organization and job level), situational (materiality or seriousness/ severity of wrongdoing and the status of the wrongdoer), personal factors (religious values, moral standards, the individual's locus of control and fear of retaliation) and individual demographics (gender, age and tenure).

The determinants of whistle-blowing can be divided into five categories as suggested by (Near & Miceli, 1995). The termination of wrongdoing depends upon the (a) characteristics of the whistle-blower, (b) characteristics of the complaint recipient, (c) characteristics of the wrong-doer (d) characteristics of the wrongdoing, and (e) characteristics of the organization. There are five sets of variables which affect these primary factors. Some are individual variables (i.e., pertaining to the whistle-blower, complaint recipient, and wrongdoer), and others are situational variables (i.e., organizational and wrongdoing variables).

The type and severity of offence also impact the instances of blowing the whistle. Where found that more severe offences are more likely to be reported, otherwise in their study. According to whistle-blowing intentions tend to rise with the severity of the offence (materiality). Thus, observers are more likely to blow the whistle on those unethical actions

which involve higher materiality value. In (Collins, 1989) mentioned that wrongdoings that cause physical harm such as endangering employee's or public health and safety have potentially serious consequences, and are more likely to be reported on moral grounds. Moderately serious wrongdoings include those acts which result in economic harm such price fixing, loss of or damage to property, fall in market value, etc. Such wrongdoings are also more often get reported. However, discrimination or verbal forms of sexual harassment create psychological harm which is often considered as the least serious type. On the other hand, (Near et al., 2004) argued that mismanagement, sexual harassment or legal violations are some of the significant wrongdoings and are more likely to be reported than wrongdoings such as stealing, waste, safety problems or discrimination.

In addition to the kind of wrongdoing, the type of organizational environment in which the disclosure is to be made influences the whistle blowing intentions of the employees. In a study of perceptions of 387 South African employees working in medium and large organizations about whistle-blowing, (Perks & Smith, 2008) indicated that employees' attitude towards whistle-blowing and a supportive organizational environment are two important factors determining the whistle-blowing. According to (Starkey, 1998), the degree of the seriousness of the offence and the supportive nature of the organizational climate are the significantly affect whistle-blowing intentions. By providing collective norms of legitimate behaviour, ethical culture of the organization and positive affect increase the chances of reporting the wrongdoing (Zhang et al., 2009).

Various studies have also studied the relationship between gender and whistle-blowing intentions. In several studies including, an association was found between these two variables. The findings of the studies suggest that men are more likely to engage in whistle-blowing as compared to women. On the other hand, studies claim that women employees are more inclined to actually blowing the whistle. However, some studies found that the gender is not at all a significant factor influencing the whistle-blowing intentions (Mustapha & Siaw, 2012). Literature review also shows that cognitive moral development and organizational commitment are two potential predictors of whistle-blowing. High cognitive moral development and organizational commitment are more likely to make an observer undertake whistle-blowing behaviors. The relationship between organizational commitment and the whistle blowing intentions is in the form of 'inverted U'. Moderate level of organizational commitment results in greater likelihood of the wrongdoing being reported. Members who are committed to their organizations desire to put their organizations back on course (Somers & Casal, 1994).

However, there are several other studies which claim that whistle blowing intentions are not influenced by sociodemographic variables such as age, gender, qualification and other social factors. The decision to blow the whistle is a no decision at all. Employees those who are loyal towards their organization and are governed by the moral concern of preventing loss to the public at large shall blow the whistle under any circumstance.

SIGNIFICANCE AND OBJECTIVES OF THE STUDY

Whistle blowing is a highly sensitive and controversial topic. Though its advantages as control mechanism are enormous from the point of the organizations, their stakeholders and the public at large. But its cost to those who blow the whistle can also be severe. The decision to blow the whistle is dependent upon many individual, organizational and situational variables. The complex interactions among these variables make a distinction between silent observers and whistle blowers. There are only a few empirical studies in India

that investigate the relationship between these variables and whistle blowing intentions of employees. This paper thus seeks to bridge the research gap and attempts to identify the factors that influence the whistle blowing intentions of Indian corporate employees. The present study has been carried out to achieve the following objectives:

- i. To identify and empirically analyze whether whistle blowing intentions differ on the basis of various demographic variables of the respondents
- ii. To examine whether the intention to blow the whistle is related to perceived organizational support, attitude towards whistle blowing, Status of wrongdoer, and type of wrongdoing
- iii. To study and analyze the variance caused by various independent variables on the whistle blowing intentions of the respondents

HYPOTHESES OF THE STUDY

In order to achieve the above-mentioned objectives, the following hypotheses were formulated:

H₀₁: The whistle blowing intentions of the respondents do not differ significantly on the basis of various demographic variables (gender, years of service, age, and annual salary package).

H₀₂: The whistle blowing intentions of the respondents are not significantly correlated to perceived organizational support, employees' attitude towards whistle blowing, Status of wrongdoer, and type of wrongdoing.

H₀₃: The whistle blowing intentions of employees are not dependent upon various determinants of whistle blowing and their demographic variables.

RESEARCH METHODOLOGY

The present study is exploratory type research. A self-administered questionnaire was used to collect empirical data to test the hypotheses. The data was collected from the employees working in Indian IT sector using convenience method of sampling. The instrument was circulated through both online and offline modes. The research instrument consisted of total six sections and was adopted from prior studies such as (Eisenberger et al., 1986 & Park et al., 2009). The questionnaire was however, adapted to meet the purposes of the current study. A total of 210 responses were received. However, only 174 responses were used for the purposes of the study, discarding others for missing data. Several closed ended statements included in questionnaire were rated on a 5-point Likert scale ranging from 5= strongly agree to 1= strongly disagree. Both positive as well as negative statements were included to minimize extreme response bias and acquiescent bias. However, the scores of the negatively phrased statements have been reversed to make them consistent with the positive statements in terms of what "agree" and "disagree" indicate in the questionnaire. The constructs required to test the hypotheses were developed by taking a mean score of the related statements for each of the constructs. Parametric tests, such as independent two samples t-test and one-way ANOVA (f-test), spearsman correlation and regression analysis have been performed on SPSS 19. The reliability analysis of each of the constructs and the overall questionnaire was carried out using Cronbach's alpha. The results obtained were Wb_Intention= .902, POS= .948, Attitude_Wb= 0.915, Status_Wd= .771, Type_wdng= .743 and overall= .954. Since the value of Cronbach's alpha is higher than acceptable limit of 0.7, the instrument indicates high reliability.

DATA ANALYSIS

The demographic profile of the respondents is as shown in (Table 1).

Table 1		
PROFILE OF THE RESPONDENTS		
Category	N	Percentage
On the basis of Gender		
Male	105	60.30
Female	69	39.70
Total	174	100.00
On the basis of Age		
Below 30	60	34.50
31-45	70	40.20
46 and above	44	25.30
Total	174	100.00
Years of Service		
0-5	96	55.17
5+	78	44.83
Total	174	100.00
On the basis of Annual Salary Package		
Less than Rs. 10,00,000	68	39.10
Rs. 10,00,000- Rs. 20,00,000	62	35.60
More than Rs. 20,00,000	44	25.30
Total	174	100.00

The first hypothesis that there is no significant difference in the whistle blowing intentions of respondents on the basis of demographic variables has been tested using t-test and ANOVA. The results are shown below in (Table 2 & Table 3) respectively.

Table 2								
T-TEST FOR WHISTLE BLOWING INTENTIONS								
		Levene's Test for Equality of Variances	t-test for Equality of Means					
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Gender	Equal variances assumed	.042	.838	-.815	172	.416	-.11787	.14456
Years of Service	Equal variances assumed	2.297	.131	-5.321	172	.000*	-.72218	.13572

The t-statistic shows that we fail to reject the null hypothesis in respect of gender [t(172)= -.815, p=.416] indicating that there is no statistically significant difference in the whistle blowing intentions of the respondents on the basis of gender. However, we may reject the null hypothesis in respect of years of service [t(172)= -5.321, p=.000] as statistically

significant difference was found in the whistleblowing intentions of the short tenured and long tenured employees. The mean value was higher for long tenured employees (3.5769) as against short tenured employees (2.8547) indicating employees with longer tenure in the organization have higher whistle blowing intentions (Table 3).

Table 3						
ANOVA FOR WHISTLE BLOWING INTENTIONS						
		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	16.067	2	8.033	10.238	.000
	Within Groups	134.180	171	.785		
	Total	150.246	173			
Annual Salary Package	Between Groups	22.490	2	11.245	15.052	.000
	Within Groups	127.756	171	.747		
	Total	150.246	173			

On the basis of Age, there was found to be significant difference regarding whistle blowing intentions [$F(2,171)=10.238$, $p=.000$]. The results of the post hoc test showed that employees in the age group of 46 & above differed significantly with other two categories. The mean values indicated that employees in the 46 & above category have higher mean value (3.5758) than those in below 30 (2.7806) and 31-45(3.1357) group. Further, on the basis of annual salary package also, we reject the null hypothesis as there is a significant difference [$F(2,171) = 15.052$, $p=.000$]. Post hoc analysis showed employees in the pay bracket 'less than Rs. 10,00,000' differed significantly with other two categories, having a lower mean value(2.7181) than others (3.2204 & 3.6174 respectively).

In order to test the second hypothesis, spearman's rank correlation was used. The results shown in Table 4 indicate that (i) there is significant strong positive correlation between whistle blowing intentions and perceived organizational support ($r=.697$, $n=174$, $p < .01$); (ii) There is significant and moderate positive correlation between whistle blowing intentions and attitude towards whistle blowing ($r=.597$, $n=174$, $p < .01$); (iii) There is significant moderate positive correlation between whistle blowing intentions and Status of wrongdoer ($r=.544$, $n=174$, $p < .01$); (iv) There is weak but significant positive correlation between whistle blowing intentions and type of wrongdoing ($r=.348$, $n=174$, $p < .01$). So, we may reject the null hypothesis that there is no correlation between these variables (Table 4).

Table 4				
CORRELATION BETWEEN WHISTLE BLOWING INTENTIONS AND ITS DETERMINANTS				
	POS	Attitude_Wb	Status_Wd	Type_Wdng
Correlation Coefficient	0.697	0.597	0.544	0.348

*. Correlation is significant at the 0.01 level (2-tailed).

The third and final hypothesis i.e. the whistle blowing intentions of employees are not dependent upon various determinants of whistle blowing and their demographic variables, was tested using multiple regression.

The model was tested for various assumptions. Autocorrelation was tested through calculating Durbin-Watson (DW) statistic. The DW value in Table 6 is 1.564 which is well within the range 1.5 to 2.5 indicating the absence of autocorrelation. Multicollinearity was

checked by computing VIF and Tolerance vales. Since VIF values were all less than 10 and Tolerance values were more than 0.1 in Table 8, there is no Multicollinearity. The assumption of linear relationship and heteroscedasticity was checked through visual examination of scatter plot diagrams (Table 5).

Table 5 MODEL SUMMARY					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.780 ^a	0.608	0.592	0.59558	1.564
a. Predictors: (Constant), TYPE_WDNG, Age, STATUS_WD, POS, Years of service in the current organization, ATTITUDE_WB, Annual Salary Package					
b. Dependent Variable: WB_INTENTION					

R^2 value as shown in Table 6 is 0.608 which implies that 60.8 percent of variation in the whistle blowing intentions is explained by the overall independent variables. Since the significance value is less than .05 (Table 6), the model is statistically significant.

Table 6 ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.363	7	13.052	36.795	.000*
	Residual	58.883	166	.355		
	Total	150.246	173			

Further, Beta coefficients for ‘Perceived Organizational Support’ and ‘Status of Wrongdoer’ are less than .05 which indicates that both of these have significant impact on whistle blowing intentions (Table 7).

Table 7 COEFFICIENTS								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.373	.266		-1.400	.164		
	Age	.046	.095	.038	.480	.632	.380	2.633
	Years of service in the current organization	.121	.130	.063	.933	.352	.518	1.932
	Annual Salary Package	.048	.096	.041	.503	.615	.356	2.808
	POS	.460	.075	.455	6.179	.000*	.435	2.298
	ATTITUDE_WB	.151	.085	.133	1.766	.079	.416	2.402
	STATUS_WD	.240	.081	.189	2.944	.004*	.575	1.739
	TYPE_WDNG	.082	.082	.060	1.007	.315	.669	1.495

FINDINGS AND IMPLICATIONS

The findings of the study show that the employees differ in their intentions to make disclosure of wrongdoing on the basis of their demographic profile. Employees who have longer association with the company are more likely to blow the whistle on corporate wrongdoings. Long tenure in an organization indicates the loyalty and organizational commitment on the part of employees. Such employees are more inclined to prevent any harm to their organizations than those who have had a shorter association with the company. Similarly, it was also found that the older employees and those having larger pay scales have higher whistle blowing intentions than their counterparts. Previous studies have shown that those employees who are working at higher positions generally have higher pay scale and are of middle age or old. Such employees are more likely to get a commensurate job elsewhere if in case their organization terminates their employment as a consequence of blowing the whistle. Further, the whistle blowing intentions of the employees are determined by the extent of the organizational support and Status of the wrongdoers. Thus, the organizations should seek to provide an environment conducive to whistle blowing. The whistle blowing policy must be formulated and implemented by the top management. Rewards and recognitions may also be offered to those who tend to disclose the wrongdoing. The policy document should clearly state that no employee shall be made to face any retaliation for blowing the whistle.

CONCLUSION

A transparent corporate culture where the top management provides support for whistle-blowing and takes immediate actions on the disclosures made is desired. Also, interestingly it was found that the whistle blowing intentions of the employees increase as the status of wrongdoer increases in the organization. People are more likely to blow the whistle on the wrongdoings committed by those who are not close to them as against those who are close to them. This might be due to the influence of the Indian culture. Further as a measure of increasing the whistle blowing intentions, whistle blowing hotlines should be established wherein the anonymous complaints may be filed by the whistleblowers. Also, adequate provisions must be made to strictly maintain the confidentiality of the identity of the whistleblowers where anonymous complaints may not be allowed for other legitimate concerns.

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