



An Analytical Study on the Effectiveness of Whistleblower Policies in Selected Companies in Madurai Region

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Abstract

Whistleblowing activity, a crucial mechanism for promoting transparency, accountability, and ethical behavior within corporate organizations, refers to the practice of reporting unethical, illegal, or fraudulent activities happening in the company to authorities by employees or other insiders of the company. As per the Companies Act of 2013, it is mandatory for the establishment of a vigil mechanism like Whistleblowing for certain companies that accept public deposits and borrow money from banks more than 50 crores. These companies have to establish a Whistleblowing mechanism to report issues like unethical behavior, fraud, or violations of the company's code of conduct. Though the Act recommends the mechanism the practical reality of the utilization of the mechanisms is questionable. The present study aims to investigate the effective implementation of whistleblower policy in companies operating in the Madurai region. The gaps between the design of policies and their practical implementation unveils the employees' low level of trust in confidentiality and protection. Applying Structural Equation Modeling (SEM) statistical tool, the factors that affect employee trust have been identified. They are 'safeguards' and 'transparent policy communication'. The effectiveness of the policy is determined heavily by employee's trust. Thus, the research implies that despite the mechanical adherence to the Company Act, to make the whistleblower systems more reliable, easily accessible, and actively utilized to encourage moral behavior in the workplace, the companies have to concentrate on building employee trust through strong safeguards and transparent policy communication.

Keywords: whistleblower policy, corporate Governance, ethical practices, employee trust, vigil mechanism

Introduction

Whistleblowing means revealing the unlawful, immoral, illicit, dangerous, unethical, or fraudulent activities of the company by someone or the employee of the company. Such persons are identified as Whistleblowers who share their accusations and expose their allegations against the organization using either internal or external channels. Internal channel refers to reporting within the company like reporting to HR, audit committee, or an ethics hotline while

external channel means reporting outside the company that is reporting to regulators, the media, or law enforcement. Generally, whistleblowers depend internal channel to report the misconduct or illegal activities within the organization itself rather than going to outside authorities or the media. The whistleblowers strongly believe that the organization will address and fix the problems.

Whistleblowing policy increasingly gets its reputation on a global reputation because of its



greatest achievement in exposing the high-profile corporate scandals like WorldCom, Enron and the Indian Satyam case. The success highlights the need to have a system in place to regularize the misconduct, fraud, corruption, or unethical behavior in businesses. Whistleblowing system indisputably encourages openness, responsibility, and moral behavior within corporate sectors. It enables the employee to voice their concerns without fear or reprisal and serves as a primary indication to the company to identify and further stop the organizational misconduct.

The 22(2) LODR Regulations (Listing Obligations and Disclosure Requirements) of SEBI (Securities and Exchange Board of India) made it compulsory for the listed Companies to implement whistleblower mechanisms to voice legitimate concerns of the employees. If the listed companies fail to establish this vigil mechanism as per the Company Act pertained to whistle blowing legislation the company will be fined. This mechanism sufficient protections against victimization of the whistleblower. In the event of such regulatory provisions by SEBI, a substantial disparity between policy and practice is witnessed in reality. Many Organizations officially have the whistleblower policy but the mechanism fails to function as intended due to various influences. The lack of employee awareness about the vigil mechanism is one of the major issues. The exposure of the whistleblower is unavoidable, leading to the poor confidentiality. The company should take some measures to protect the identity of the whistleblower. The employee has to handle the retaliation fears that drive him to button up the scandal. The lack of quick redressal mechanisms severely damages the policy's practical effectiveness. The documented whistleblowers' experience erodes the public's confidence in the system.

Hence, the need of the time is to strengthen the vigil mechanism by updating whistleblower laws of India through continuous discussion and examination of the case studies. The influential implementation, accessibility, and reliability of the policy strongly discourage unethical behavior in the corporate environment and safeguard those who report it.

Objectives

- To assess the efficiency of whistleblower policy in selected companies in the Madurai Region.
- To analyze the level of employee awareness about whistleblower mechanisms in Madurai-based organisations.
- To examine both the response mechanism and protection measures for whistleblowers in the Madurai context.

Statement of the Problem

The Corporate environment in the Madurai region has witnessed a notable development in recent years. Simultaneously, the ethical breaches of these organizations are also increasing. The daring act of whistleblowers has exposed the wrongdoing of these sectors. Meanwhile, they experience professional setbacks and threats. In this context LODR Regulations of SEBI insist on establishing a compulsory Whistleblowing mechanism in their organizational setup. In spite of the stern focus of SEBI 2015 Regulations on corporate governance, the real-world functioning of whistleblower policy in many Madurai based companies is not satisfactory. Various factors like lack of trust and employee awareness, concerns about reprisals, or insufficient protection, collectively contribute to the operational shortcomings of the policy. The documented cases of whistleblowers who experienced social exclusion, career setbacks or even legal threats question the credibility of the vigil mechanism. Furthermore, the absence of prompt complaint resolution and transparent investigation processes weakened the policy.

Therefore, the study intends to address the gaps by examining the efficient functioning of whistleblower policies especially in companies operating within the Madurai region. The accessibility of the reporting systems, the degree of employee awareness and the real results of whistleblowing initiatives are also considered. To find implementation gaps and offer practical suggestions to improve the whistleblower framework in the local corporate sector are the objectives of the study.



Review of Literature

Whistleblowing as a critical mechanism successfully detected many corporate misdeeds and improved organizational accountability through vigilance. The research scholars Near and Miceli (1995) and Vandekerckhove (2006) have emphasized that the success of whistleblower frameworks largely depends on the strong protection mechanisms and the perceived fairness of outcomes. Their studies stated that without the institutional trust and transparency, even the most well-documented policies fail to encourage ethical disclosures.

In the Indian corporate scandals like the Satyam fiasco (2009) has exposed the limitations of internal control mechanisms. As a result, the discussion regarding protection policies for whistleblower gained momentum in India. The study of whistleblower systems in select Indian IT by Kumar and Sharma (2017) has revealed a bitter truth that the policies are existed only on paper, their practical implementation is unreliable and often poorly monitored. Similarly, Rajan (2019) has conducted an analysis of whistleblower protections in public sector undertakings (PSUs). The study pointed out that employee's fear of retaliation and lack of follow-up actions had been the major inhibitions in exposing the unethical behavior.

Further, Joshi and Mehta (2020) have analyzed the annual disclosures of Nifty-listed companies and have observed that the majority of the companies, more than 90% had a proper vigil mechanism in their structure, but very few only revealed the data regarding the complaints received or resolved. Their study exposed the lack of transparency and the actual utility of such systems.

Banerjee and Sinha (2021) have highlighted that cultural determinants like hierarchy, collectivism, and loyalty to the employer also have played a significant role in whistleblowing behavior in Indian companies. They strongly recorded that the corporate culture has discouraged employees from reporting wrongdoings.

Research Gap

The existing studies have examined in detail the presence of Whistleblower policies and their general

perceptions. Further the prevailing research has been limited to specific industries or mainly depends on secondary disclosures. The effectiveness of whistleblower policies from an employee perspective across various sectors in Madurai Region is very low. There is a lack of empirical data to critically assess the five key elements like employee awareness, system accessibility, confidentiality, and fear of reprisals. Further, the response mechanisms are not adequately investigated.

It is evident from the current study that the statistical associations between protection measures and employees' willingness to report unethical practices have received little attention. Because of the complex nature of the whistleblowing policy, an organized, data-driven approach is required to comprehend it for ensuring better corporate governance.

Utilizing both qualitative and quantitative methods, this study aims to assess the effectiveness and actual functioning of whistleblower policies in Madurai-based companies and provide evidence-based policy recommendations for boosting the vigil mechanisms.

Research Methodology

The study evaluated the efficacy of whistleblower policies in Indian companies using a descriptive and analytical research design. Using a snowball sampling technique, 100 employees were selected from 20 companies in the Madurai region, representing manufacturing, banking, IT, and pharmaceutical industries. Structured questionnaires were used to gather primary data, and annual reports, SEBI filings, and CSR and governance information reporting were used to gather secondary data. To obtain pertinent findings and insights, the data were inspected using the appropriate statistical techniques, such as regression modeling, chi-square tests, and Likert scale analysis.

Scope of the Study

The scope of this study is limited to assessing the efficacy of whistleblower policies in a subset of companies operating in the Madurai Region within the



four main industries of manufacturing, banking, pharmaceuticals, and information technology. Employee awareness, trust, usage trends, and the organization's reaction to whistleblowing procedures are its main areas of focus. The research further examines the adequacy of whistleblower protections and the overall effectiveness of policy implementation in line with the SEBI (LODR) Regulations, 2015."

Both managerial and non-managerial staff members employed by mid- to large corporations in Madurai are the core area of attention. The study is restricted to businesses that have openly revealed or

acknowledged the existence of whistleblower mechanisms, even though the results provide insights into the current status of whistleblower systems in India. This study excludes government sector initiatives, unlisted entities, and companies operating outside the Madurai region.

The scope further extends to drawing correlations between protection mechanisms and employees' willingness to report unethical behavior, thereby helping policymakers and corporate leaders improve ethical compliance frameworks.

Data Analysis and Interpretation

Table 1 Demographic Overview of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	62	62%
	Female	38	38%
Age	Below 25 years	15	15%
	26 – 35 years	48	48%
	36 – 45 years	24	24%
	Above 45 years	13	13%
Industry Sector	Manufacturing	27	27%
	Banking	25	25%
	Information Technology (IT)	24	24%
	Pharmaceuticals	24	24%
Designation Level	Managerial	42	42%
	Non-managerial	58	58%
Years of Experience	Less than 5 years	28	28%
	5 – 10 years	39	39%
	11 – 15 years	21	21%
	More than 15 years	12	12%
Educational Qualification	UG (Undergraduate)	31	31%
	PG (Postgraduate)	53	53%
	Others	16	16%

Source: Primary Data

It is evident from Table 1 that the 100 respondents' demographic profile shows a balanced and varied representation across age, gender, industry sectors, and job levels. Sixty-two percent were men, and 48 percent were in the 26 and to 35 year age category. To

ensure industry-wide relevance, participants were evenly spread across the manufacturing, banking, IT, and pharmaceutical sectors. The sample offers insightful information from operational-level workers, with 39% having five to ten years of



experience and 58% in non-managerial roles. Furthermore, more than half (53%) had postgraduate degrees, indicating a knowledgeable sample of respondents. The study's findings are more credible and applicable as a result of this diversity.

Employees were asked to rate various aspects of the whistleblower mechanism on a 5-point Likert scale (1 = Very Poor, 5 = Excellent).

Table 2

Awareness and Usage of Whistleblower Policy

Particulars	Number of Respondents	Percentage (%)
Aware of the whistleblower policy	65	65%
Unaware of the whistleblower policy	35	35%
Have used the policy to report misconduct	18	18%
Be aware of someone who has utilized the policy.	22	22%
Believe their identity would be protected	28	28%

Sources: Primary Data

Table 2 shows that organizations have a moderate awareness of whistleblower policies but little use of them. 65% of respondents were aware of the whistleblower policy and 35% of respondents were unaware of it. Consequently, enhancing internal communication is essential. Just 18% used the policy, and 22% were aware of someone who had utilized it. Only 28% of respondents felt that their identity was to be protected.

Assessment of Whistleblower Policy Effectiveness Index (WPEI) Components

Employee perceptions of the policy's main elements should be evaluated in order to gauge how whistleblower policies are applied within companies. These include the policy's clarity and communication effectiveness, the reporting system's accessibility, the confidentiality guarantee, the effectiveness of the organization's safeguards for whistleblowers, and the organization's responsiveness to complaints. Each

element can be examined using a structured rating system to determine its strong points and areas for development. Such an evaluation ensures transparency, accountability, and employee trust while providing valuable information on the functioning of the whistleblower mechanism.

Table 3

WPEI Component Ratings (Average Scores on 5-Point Scale)

Component	Mean Score	Remarks
Policy Clarity and Communication	3.6	Satisfactory
Accessibility of Reporting System	3.2	Needs Improvement
Confidentiality Assurance	2.8	Below Average
Protection Measures	2.6	Needs Strengthening
Action Taken on Complaints	3.1	Moderate
Employee Trust in System	2.9	Below Average

Overall WPEI Score = 3.03 / 5, indicating moderate effectiveness

With a mean score of 3.6, the component "Policy Clarity and Communication" indicated that employees understood it to a satisfactory degree. But "Accessibility of Reporting System" received a score of 3.2, emphasizing the need for greater accessibility. The low scores for "Confidentiality Assurance" (2.8) and "Protection Measures" (2.6), which indicate a lack of employee confidence in safety and anonymity, are more worrisome. With a score of 3.1, "Action Taken on Complaints" reported a moderate level of satisfaction with the organizational response. Although communication is generally quite effective, significant advancements in access, protection, and trust are required to increase the efficacy of whistleblower policies.

Table 4
Chi-square Test – Protection Mechanism vs
Willingness to Report

	Willing to Report	Not Willing to Report	Total
Strong Protection	30	10	40
Weak/No Protection	15	45	60
Total	45	55	100

Chi-square Value: 23.33, Degrees of Freedom: 1
P-value: < 0.01 (Highly Significant)

There is a significant relationship between strong protection measures and willingness to report unethical practices.

SEM Path Diagram: Effectiveness of Whistleblower Policies

To investigate the connections between different latent constructs that support the efficacy of whistleblower policies in organizations, an SEM path diagram is utilized. Both direct and indirect impacts of important variables such as policy awareness, accessibility, confidentiality, protection measures, management trust, and reporting behaviour can be visualized thanks to this analytical method. By mapping these interconnections, the SEM path diagram provides a comprehensive understanding of how different components interact to influence employee engagement with whistleblower mechanisms. In addition to confirming proposed correlations, this model identifies the key factors that either support or undermine the efficacy of policies, providing a data-driven basis for organizational and policy development.

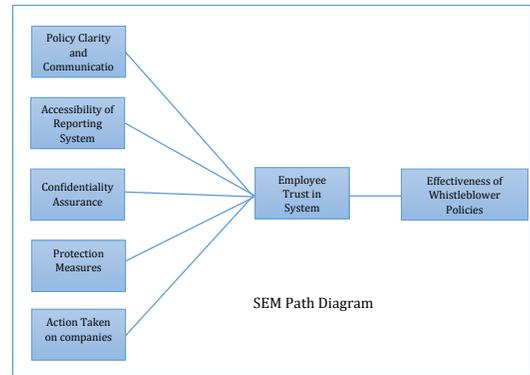


Table 4
Path Coefficients from SEM Model

Path	Standardized Coefficient (β)	p-value
Policy Clarity → Employee Trust	0.28	0.010
Accessibility → Employee Trust	0.24	0.030
Confidentiality → Employee Trust	0.19	0.050
Protection Measures → Employee Trust	0.31	0.002
Action Taken → Employee Trust	0.22	0.040
Employee Trust → Policy Effectiveness	0.47	0.001

The SEM analysis (Table 4) shows that all construct relationships are statistically significant at the 5% level, confirming meaningful associations. Protection measures (β = 0.31) and policy clarity (β = 0.28) are the strongest predictors of employee trust, indicating that clear communication and a sense of safety are key trust-builders. Accessibility (β = 0.24), action on complaints (β = 0.22), and confidentiality assurance (β = 0.19) also contribute, though to a lesser extent. Importantly, employee trust strongly influences the perceived effectiveness of the whistleblower policy (β = 0.47, p = 0.001), emphasizing its critical mediating role and the importance for well-communicated, protective systems.



Recommendations

1. Companies should implement targeted awareness campaigns and regular training programs to ensure all employees clearly understand whistleblower policies. Transparent communication about the policy's purpose, process, and protections will help bridge the awareness gap.
2. Simplify and diversify reporting channels, including anonymous digital platforms and dedicated hotlines, to make it easier for employees at all levels to report concerns without hesitation.
3. Robust safeguards must be institutionalized to guarantee confidentiality and prevent retaliation against whistleblowers. This includes clear anti-retaliation policies, secure data handling, and regular audits of protection practices.
4. Organizations should ensure timely investigation and resolution of complaints, with periodic feedback provided to the whistleblower to build trust in the system's responsiveness.
5. Foster an organizational culture where ethical behavior is valued and whistleblowing is encouraged as a positive contribution. Leadership commitment and visible support from top management are critical in cultivating this trust.
6. Conduct periodic assessments using tools like the Whistleblower Policy Effectiveness Index (WPEI) to identify gaps and continuously improve the system. Use employee feedback and statistical analysis to guide policy refinements.
7. While compliance with SEBI (LODR) Regulations, 2015 is essential, companies should also benchmark their whistleblower mechanisms against international best practices to enhance efficacy.
8. Recognize sector-specific challenges and cultural factors influencing whistleblowing. Customized strategies can address unique barriers in manufacturing, banking, IT, and pharmaceutical sectors.
9. Assign clear responsibilities for whistleblower policy enforcement at senior management and

audit committee levels to ensure accountability and effective oversight.

10. Involve employees in reviewing and updating whistleblower policies to increase ownership and relevance, thereby improving trust and utilization.

Conclusion

This study evaluated the efficacy of whistleblower policies in companies operating in the Madurai region by analysing implementation, employee awareness, protection mechanisms, and trust levels. Despite general compliance with SEBI regulations, gaps persist between policy and practice. Even though 65% of employees are aware of the policy, actual usage is low, and the trust in confidentiality also remains weak. It is reflecting a culture of fear and mistrust in the local corporate environment. The Whistleblower Policy Effectiveness Index (WPEI) indicates that, although policy clarity is adequate, aspects such as accessibility, protection, and follow-up require improvement. Statistical tests confirmed that strong protection measures have a significant influence on employees' willingness to report misconduct. The findings highlight that mere policy existence is insufficient; effective communication, protection, and responsive management are essential. Thus, the companies must go beyond compliance by fostering a culture of openness, strengthening confidentiality safeguards, and ensuring timely, transparent action on complaints. Such measures will not only encourage ethical reporting locally but also serve as a model for other regions seeking to enhance corporate governance standards.

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