GLOBALIZATION AND THE ACCOUNTING PROFESSION: LESSONS LEARNED FROM INDIA

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ABSTRACT

This event study explores the power dynamics within the increasingly globalized economy, which often cause local regulatory bodies to overlook their national interests in favor of influential international interests. We particularly examine the events surrounding the entry of multinational accounting firms into India's accounting market amidst major changes for the Indian accounting profession, taking place from 1990 to 2005. Such an event has yet to be analyzed in this context, thus our study contributes to the literature by providing an insight into the effects of globalization on individual nation-states. We employ several globalization theories to explain the overhaul of India's accounting profession during our period of study. Gathering data from key documents and interviews conducted with pertinent authors and members of the Indian accounting profession, we analyze the impact of globalization on the nation's local accounting market. Insights gained from our analysis highlight the vulnerability of weaker nation-states such as India to the networked international interests increasingly dominating our global markets. Additionally, our analysis describes the pervasive influence of large multinational accounting firms within these markets, exerted in order to expand their global market shares.

INTRODUCTION

Globalization of the business world is a pervasive topic to regulators, market participants, the media, and the public at large. Major news sources such as The New York Times have devoted entire special editions to this trend, presenting a plethora of articles portraying the United States, and the greater business world, as one with ever-vanishing national boundaries. One such article describes the widespread shift of western market focus from the slowing developed economies to the emerging markets, specifically citing the promise of exposure to China, Brazil, and India (Sorkin, 2011). With particular regard to the accounting industry, multinational firms have seen globalization as an opportunity to operate internationally; however, the mechanisms by which these firms are legally and ethically accountable tend to be at the national level (Malsch and Gendron, 2011). Therefore, from a global perspective, "accounting's regulatory space involves a complex constellation of actors and relationships mixing accounting firms, governments, and regulatory organizations, constituted nationally and trans-nationally" (Malsch and Gendron, 2011, p. 13). In addition, India specifically continues to be a prime offshoring destination as noted by Gupta et al. (2019) "There is growing evidence that more and more complex and interpretive accounting work is offshored to India," (pg. 132). Jacob et al. (2019) point to little research related to multinational accounting firm fee premiums in India, while citing the Country's importance in global markets. Thus, insight and lessons learned obtained from the analysis of the entry of multinational accounting firms (hereafter, referred to as MAFs) into the Indian market would be further beneficial for future research, which continues to evolve in this setting.

Arnold (2005) labelled the conventional wisdom that attributes primacy to market forces in the process of globalization as the market model of globalization. This model suggests that technological change such as advances in electronics and commuter technology have generated development of global financial markets. Global markets, in turn, require transparency in financial reporting to function efficiently. Thus, the accounting profession has been assigned a reactive role and supposedly must adapt and modernize in response to the globalization of finance and investment (Arnold, 2005). In contrast to this view, Arnold (2005) demonstrates that global markets are not the result of impersonal market forces, but specific actors who are working from deregulatory agendas that are not necessarily representative of broader societal interests.

Other theories of globalization include the neo-imperialist view which suggest that the process of de-colonization rather than being seen as the end of imperialism should instead be considered a further stage in the development of imperialism as it signified that local collaborative systems were sufficiently developed and in place to facilitate dominion without formal rule (Annisette, 2000). In Annisette's (2000) study, imperialism is conceived of as constituting both an economic and a political aspect. With respect to the economic, it does not relate merely to market relationships between countries of different economic strengths. Instead, it relates to circumstances in which the economy of a weaker country is so integrated into that of an industrial power, that the strategic decisions governing both the direction and rate of growth of the former are made by, and governed by the interests of the latter. Caramanis (2002) examined the major interconnections of international politics and accounting professionalization projects at the local level, by employing Held's (1991) framework. Held focused attention on four themes in the study of international disjunctures.

Our paper develops this thesis through an examination of the complex relationships in the context of the entry of MAFs into India's accounting market, amidst major changes for the Indian accounting profession nationally from 1990 to 2005 precipitated by a foreign exchange crisis.[1] The study shows the global power dynamics contributing to inaction on the part of India's local regulators, collusion by the Institute of Chartered Accountants of India (ICAI) with the MAFs, and marginalization of the interests of small indigenous firms given this lack of defense by their local government and national professional association.

The paper is organized to address two interrelated objectives (1) to deconstruct the mode of entry and the underlying motivation of the MAFs in penetrating the Indian market under the advent of globalization. Insights gained from examination of this event will highlight the vulnerability of weaker nation-states to the small number of networked international interests increasingly dominating global markets. We will specifically explain the manner in which the MAFs were able to exert substantial control over national and international regulators comprising these networks. We will also describe the intentional push for globalization undertaken by these firms in order to gain an exponentially greater global market share of the accounting industry. (2) The second major issue is the reaction and underlying motivations of the Indian banks, government, and regulators to the entry event.

This research adds to the stream of literature that demonstrates the MAFs as well positioned within the international economic system to mobilize almost every powerful international politico-economic actor to overcome the resistance of local players (Caramanis, 2002; Arnold, 2005; Annisette, 2000). Our analysis provides further insight and real world context for researchers attempting to understand how globalization and neo-imperialism, and neo-

[1] We chose the timeframe of 1990 to 2005, as 1990 was the year of entry of the multinational accounting firms into the Indian accounting market, and a 15 year span post-entry gives us adequate time to analyze its long-term impact on the local profession.

colonialism intersect to transform professional service markets in developing economies. The following sections provide the background information and theory, the methodology and our approach to performing this research, the results of our investigation of the two major objectives identified above, as well as the concluding remarks on our analysis.

BACKGROUND: THE INDIAN ACCOUNTING PROFESSION

History of the creation of the ICAI and the Scope of the Act

In order to appropriately analyze the impact of the MAF entry event on the local Indian accounting profession, we first provide a background of the profession's regulatory history and its current governance structure. Table 1 below provides a detailed timeline of events surrounding the ICAI's emergence to add specifically greater insight into its role in the Indian accounting profession, as well as additional events pertaining to the Indian accounting profession in general. Table 1 highlights that the MAFs did not have any relationship with the Indian accounting firms before 1995 (i.e. prior to the Foreign Exchange Crisis of 1990). In 1995, the Reserve Bank of India granted special licenses to the MAFs to provide consulting services. Next, the MAFs entered into the surrogate firm arrangements with local Indian firms and gained entry in the audit and assurance services market. Finally, in 2006 the MAFs were granted permission to provide multi-disciplinary services and prohibition on solicitation was removed.

Table 1: Timeline Surrounding the Emergence of the ICAI and the Indian Accounting Profession

Year	Event
1857	The first ever Companies Act in India is legislated.
1866	Law relating to maintenance of accounts and audits are introduced.
1913	New Companies Act is enacted. Formal qualification to act as an auditor is specified.
1918	Government Diploma in Accounting (GDA) is launched in Bombay.
1920	The issue of Restricted Certificates is discontinued.
1927	Society of Auditors is founded in Madras.
1930	Register of Accountants is to be maintained by the Government of India to exercise control over the members in practice. These members are called Registered Accountants (RA).
1930	The Governor General in Council (GGC) replaces the local government as the statutory authority to grant Certificates to persons entitling them to act as auditors.

1932	1st Indian Accountancy Board (IAB) is formed to advise the GGC on matters relating to accountancy and to assist in maintaining standards of qualification and conduct required of auditors.
1933	1st examination is held by the Accountancy Board. GDAs are exempted from taking the test.
1935	1st Final Examination is held. GDAs are exempted from taking the test.
1943	The GDA is abolished.
1948	Expert committee is formed to examine the scheme of an autonomous association of accountants in India.
1949	The Chartered Accountants Act of 1949 (CAA) is passed on May 1st. The term Chartered Accountant (CA) comes to be used in place of RA. The Institute of Chartered Accountants of India (ICAI) is born.
1990	A foreign exchange crisis looms in India with consequent probability of default on its borrowings from international markets and banks.
1991	To deal with the foreign exchange crisis, the Indian Government enters into a Stand-By Arrangement with the IMF. The Stand-By Arrangement mandates a structural adjustment program featuring macroeconomic stabilization and structural reforms.
1995	The Reserve Bank of India grants special licenses to the multinational accounting firms under Section 29 of the Foreign Exchange Regulation Act of 1947 to provide consulting services.
1996/ 1997	Multinational Accounting firms enter into an arrangement with large local accounting firms in India creating surrogate firms to gain entry in the audit and assurance services market.
1999	ICAI completes 50 years on July 1st.
2002	Birth of the Chartered Accountant Action Committee For Level Playing Field (CAAC). Publication of a white paper by the CAAC to shed light on the consequence of the entry of the multinational accounting firms into the Indian market.
2006	The CAA Amendment is enacted by the Government in the Gazette of India dated March 23rd.
	Removal of restrictions on profit-sharing between members of the ICAI and non-members.
	Permission for accounting firms to provide multi-disciplinary services is granted.
	Prohibition of solicitation is removed. Limited advertisement (subject to guidelines to be issued by the ICAI) is now permitted.

Source: CAAC (2002)

The Indian Accountancy Board (IAB) was created in 1932 by the government of India using powers given to it under the Companies (Amendment) Bill, 1930. The role of the IAB was to advise the governor general on all matters of administration relating to accountancy and auditing and to assist him in maintaining the standards of qualification and conduct of persons enrolled on the register of accountants [Companies (Amendment) Bill, 1930]. It was intended by the accountants on the IAB that the IAB would, in time, develop into an autonomous accounting profession in

India. However, the Ministry of Commerce was not in favor of a creation of a completely independent accounting institute. Therefore, the ICAI was established by statutory legislation with government involvement in both the process of formation of the ICAI and in the ICAI itself (Verma and Gray, 2006).

The ICAI was established in 1949, just two years after India gained its independence. An interesting observation is the issue of mutual recognition and reciprocity. The Indian accountants on the IAB were keen that the proposed ICAI should be recognized by the Institute of Chartered Accountants in England and Wales (ICAEW) and other foreign professional accounting bodies on a mutual recognition basis. However, the Ministry of commerce was keen for the ICAI to continue to recognize foreign professional accounting bodies, in particular the ICAEW, without any conditions attached to this recognition (Verma and Gray, 2006).

When the negotiations with the U.K. authorities were not successful regarding the issue of reciprocity, the Ministry of Commerce put pressure on the expert committee to include provisions to recognize foreign qualified accountants, in particular British chartered accountants, with no reciprocity requirement. The Ministry of Commerce did not want its interests and negotiation position on other issues to be impaired by losing goodwill with the U.K. authorities over the reciprocity issue. The ICAI was given some autonomy to carry out its activities, but the government proved itself to be more influential than the ICAI on issues which it considered important (Verma and Gray, 2006). Four decades later, the entry of the MAFs in India shows us that there was no change in the power dynamics and the Indian government continued to formulate policies that appeased the foreign government versus ICAI and the interests of the indigenous actors. The concept of imperialism without empire (Robinson, 1986) helps us to understand the complexities of the behavior of the various actors in the context of our study. Gallagher and Robinson (1953) define imperialism "a sufficient political function of the process of integrating new regions into [an] expanding economy'' (ibid., p. 5). This sufficient political function could either be in the form of formal colonial rule, as in the case of post-1870 Britain up until the decades of the 1950's and 60's, or in the form of informal hegemony-as in the case of mid Victorian Britain or post World War II USA (Annisette, 2000). We thus discuss in our analysis how the issue of reciprocity was once again becoming a bone of contention for the ICAI.

Currently, the ICAI's headquarters are in New Delhi, with five regional offices in Mumbai, Chennai, Kanpur, Kolkata, and New Delhi, and 98 branches spread all over the country. The ICAI has also established 11 chapters outside of India. As of the latest published data, total ICAI membership is about 282,000 members.[2] In addition to regulating the accounting profession, the ICAI is its national standard setting body. Its National Accounting Standards are given statutory recognition and are now almost completely harmonized with International Financial Reporting Standards. The affairs of the ICAI are managed by its designated Council in accordance with the provisions of the Chartered Accountant Act of 1949 and the Chartered Accountants Regulation of 1988.

Scope of the ICAI Act:

The services rendered by accounting firms included attestation services, taxation services, and regulatory compliance services, largely focused on state regulation compliance. Consulting services were virtually non-existent or not directly mentioned in either the Chartered Accountants' Act or the Companies Act hence are not within the purview of the Act. The Chartered Accountants Act provides for a disciplinary mechanism against professional and other misconduct of the Chartered Accountants (hereafter, referred to as CAs). Commissions or omissions which constitute professional misconduct are defined in two schedules to the CAs Act of 1949. Along with the CAs Act of 1949, the Indian Partnership Act as well as the provisions of the Companies Act of 1956, regulated the CAs in India. The Companies Act added to the provisions and regulations contained in the CAs Act. Taken together, the two acts laid down the ethical code of conduct and the regulations that the Indian CA was bound by. The major restrictions relevant to our study are specified below (CAAC, 2002):

1) Section 11(2) Indian Companies Act of 1956 restricts the number of partners in a partnership firm to 20 partners. Further, the CAs Act of India restricts a CA firm to be

[2] Obtained from www.icai.org. Latest statistics published as of 01/02/2018.

either a sole proprietary or a partnership firm. Additionally, Indian CA firms could not be incorporated as companies and the number of partners could not exceed 20.

2) Under the Indian Companies Act of 1956, a firm cannot be a shareholder in a company and thereby cannot control a company. This restriction limits Indian professional firms from floating and thereby controlling a company, incorporated for carrying out certain activities that are not legally possible to be carried out by the parent CA firm.
3) The Indian company law insists that only the appointment of the statutory auditors can be in the name of the firm of accountants. But the audit report and the balance sheet will have to be signed by a partner of the firm in his own name and hand, not in the name of the firm. Therefore, the liability of the CA is unlimited.
4) One of the significant restraints that the ICAI places on its members is that the Indian CAs cannot advertise, whether in India or abroad. They cannot canvass directly or indirectly for professional assignments, or make presentations to prospective clients.
5) Indian CA firms cannot have non-CAs as partners. Nor can the Indian CAs or CA firms have any profit-sharing arrangement with non-CAs. Thus, it is not possible for Indian CAs to structure multi-disciplinary practice to offer such services to clients.

The Foreign Exchange Crisis of 1990: Liberalization of the Indian Economy

The Age of Liberalism, a period of relatively open global markets, ended after the Great Depression of the 1930s (Polanyi, 1944). In the few decades following the gaining of its independence in 1947, India adopted an economic strategy of national self-sufficiency, stressing the importance of government regulation of its economy. Cerra and Saxena characterize the regime as "both inward looking and highly interventionist, consisting of import protection, complex licensing requirements, and pervasive government intervention in financial intermediation and substantial public ownership of heavy industry" (2000, p. 3). Trade policies were strict and nationally protective, employing high tariffs and other significant barriers, including a complex import licensing system, an 'actual user' policy restricting imports by intermediaries, restrictions of certain exports and imports to the public sector, phased manufacturing programs mandating progressive import substitution, and government purchase preferences for domestic producers (Cerra & Saxena, 2000). The CAAC's White Paper[3] describes this nationalist mindset in the Indian economy:

> The socialist psyche was so internalized in politics that in the late 1960s and early 1970s, anyone who disagreed with the socialist model was labeled as anti-poor and pro-rich, pro-America and even as CIA agents! Those who differed from socialist ideals were ostracized as political untouchables. With the result that, every political party was compelled to file an undertaking expressing faith in the ideology of socialism, to be registered as a political party eligible to contest elections. In fact, even the constitution of India was amended to define India as a socialist state. Even the property rights listed as unbridgeable fundamental rights were deleted and relegated to the status of mere legal rights. The effect of this is to facilitate even expropriation of property with or without adequate compensation (CAAC, 2002, p. 6).

The structure of the Indian accounting profession at this time was a reflection of the structure of the Indian economy. As a partner of a local accounting firm pointed out in an interview, the Monopolistic and Restrictive Trade Practices Act instated in India in 1969 effectively prohibited the formation of large companies in all the sectors of the economy, and so the Indian economy was comprised of small and medium-sized companies. Similarly, restrictions were placed on the maximum number of partners per accounting firm, limiting each firm to less than 20 partners. Accounting firms were also prohibited from providing a multi-disciplinary range of services and from entering into profit-sharing arrangements with non-members of the ICAI. In the metropolitan centers, taxation services were the mainstay of small-sized accounting firms, while audit work constituted the bulk of work for medium-sized firms (CAAC, 2002). The essence of the predominance of audit and assurance services in local firm portfolios was captured during a local firm partner interview:

> There was not much need for consulting services due to the nature of the market, as the Indian economy was not only entirely insulated from the global market but also had serious restraints on local market forces. On the consultancy side, which had not really grown in the absence of the market drive to the economy, handling government regulations and instrumentalities for the private sector was the core part of the practice. (Local Firm Partner)

[3] Available at http://mrv.net.in/images/stories/whitepaper/white_paper_merged_1_.pdf

In the restrictive regime prevalent in the Indian environment at this time, an interviewed partner of one of the four major accounting firms (Big4 Four thereafter) describes the nature of most of the Indian companies as family-owned, resulting in much of the professional accounting work being founded on a "relation-based approach, as distinguished from a pure contract-based model, which is the distinctive feature of a market driven economy." The CAAC White Paper describes the protected environment of Indian accounting firms at this time, in which they faced no competition from foreign accounting firms or regulations restricting their operation in foreign countries. In this environment, there was no reason for domestic firms to adopt strategies to maintain their monopoly over the practice of audit and assurance.

In the 1980s and 1990s, economic policies saw a great shift, as many highly regulated nation-states dismantled capital controls, signifying a neoliberal period in which, once again, capital was free to roam the world relatively unconstrained by national controls (Kapstein, 1994). This United States agenda, known as the Washington Consensus, called not only for free trade and elimination of capital controls, but also for deregulation and economic restructuring. Many argue that IMF-imposed structural adjustment programs were employed in order to coerce weak nation-states such as India to abandon domestic priorities in favor of open borders and investor-friendly economies (Stiglitz, 2002).

From 1990 to 1992, amongst an increasing emphasis on free trade in world economics, public reports of India's financial problems generated rumors of an impending foreign exchange crisis and the consequent probability of default on its borrowings from international markets and banks (Clark & Lakshmi, 2003). India's situation was further compounded by several macroeconomic factors: the increase in oil prices due to conflict in the Middle East in 1990, the reduction in remittances from Indian workers in the region of conflict, the reduced demand of important trading partners, and a high level of political uncertainty (Clark and Lakshmi, 2003).

In an effort to deal with its shortage of foreign exchange reserves and consequent non-payment of external debt, the Indian government requested a Stand-By Arrangement from the IMF in

August 1991. The resulting reform package from the IMF was conditional on an adjustment program featuring macroeconomic stabilization and structural reforms. These reforms were primarily in the areas of industrial and import licenses, the financial sector, the tax system, and trade policy. On trade policy, the Stand-By Arrangement mandated a reduction in the level and dispersion of tariffs, the removal of quantitative restrictions on imported inputs and capital goods for export production, and the elimination of the public sector monopoly on all imports except petroleum, edible oils, fertilizers, and certain items earmarked for health and security reasons (Clark & Lakshmi, 2003). Clearly, these reforms would have a pervasive impact on the Indian economy, yet India was in no place to dispute an arrangement that could potentially help to avoid a major debt crisis.

THEORETICAL PERSPECTIVES

Giddens defines globalization as "a process of increasing interconnectedness between societies in a dialectical fashion such that events in one part of the world more and more have effects on peoples and societies far away and vice versa," (1990, p. 64). Given its far-reaching nature and increasing prevalence in society, globalization has been highly researched in many contexts. Perspectives examined include economy and polity (e.g., Held, 1991; Camillieri and Falk, 1992; Dicken, 1992), trading blocks and the global financial system (e.g., Frieden, 1989), and domestic regulation and the market for professional services (e.g., Caramanis, 2002; Arnold, 2005). Globalization research has focused its attention on the accounting world as well, describing the inevitably profound effects of global capital flows and transnational business activities on accounting and accounting regulation (Everett, 2003). Many Contemporary theorists suggest that the process of globalization may be a form of neo-colonialism which essentially argues that social and economic structures, and the educational systems in the Third World are so firmly linked to the those in the West that they have to conduct their affairs as if they were still subject to formal colonial rule (Altbach and Kelly, 1978). There are facets of our study that hint at the traces of the existence of such structures making it relevant for us to identify these theories as part of our analysis.

Given the inevitable impact of a globalized economy at the national level, much research has examined the effects of globalization on the nation-state. Some literature signals the pending abolition of the nation-state altogether (Ohmae, 1996), while others emphasize nation-state resistance to attacks on sovereignty by international agents (Hirst and Thomson; 1995). But the resounding theme in most of the literature in this area is the recognition of a remarkable shift of regulatory power from sovereign nation-states to multinational economic institutions, such as the International Monetary Fund (IMF) and the World Bank (Dicken, 1992; Richardson, 2009).

From this international perspective, four themes, as outlined by Held (1991) and elaborated upon by Caramanis (2002), have emerged as relevant to our current study. First, there is the internationalization of the world economy in which multinational enterprises play an increasingly significant role. Therefore, the internationalization of the economy and the MAFs may significantly influence the regulation of the accounting profession at the local level. Second, it has been suggested that while stronger nation-states, such as the United States, have the power and resources to resist international pressures on their economic policies, weaker nation-states, such as India, are more vulnerable in the management of their national economy (Cooper, 1986; Gilpin, 1987). The increased role of various intergovernmental politico-economic organizations — such as World Trade Organization (WTO) and the International Monetary Fund (IMF) set up to oversee and regulate the conduct of transnational economic activities (Held, 1991). Third, International law which potentially transcends national borders may have specific requirements for the organization of economic activity, and of accounting practice in particular. Finally, these hegemonic states have the power to support and maintain the international regime they favor, using a variety of coercive tools such as enforcement, enticements, or bribes to convince other states to remain within the confines of the regime (Caramanis, 2002). Hegemonic countries and power blocks may question the national sovereignty of individual nation-states in regulating accounting and other fields of human activity (held, 1991). We will draw on these insights provided by Held's approach to Globalization in analyzing the patterns in our analysis of the Indian accounting profession over the period of study.

We found it useful to bolster our analysis with theories of neo-imperialism to view the entry as an event that signifies the continuation of colonialism and imperialism similar to the approach adopted by Annisette (2000). In the context of a study of accounting professions in post-colonial states, India is important for several reasons. India was one of the first countries to be colonized by the British and was important enough to have an office dedicated to it, the India Office, separate from the Colonial Office which dealt collectively with all other British colonies. India was also one of the first countries to gain independence from Britain after World War II in August, 1947. The terms colonialism and the colonial state are used to describe the relations in which indigenous peoples in India find themselves embedded. This usage is consistent with Wolfe's observation that "the term colonialism is often used as a heuristic to describe both center/periphery relations and the material/ideological aspects of these relations" (1997, pp. 388–389).

METHODOLOGY

In order to examine the entry of the MAFs into the Indian market and its effects on the Indian accounting profession, evidence was gathered through a latent content analysis of archival material supplemented by interviews. We sought to ensure that our findings were trustworthy by examining multiple sources of archival material whenever possible. Therefore, we examined the ICAI regulations, the Companies Act, The Foreign Exchange Regulation Act and the RBI circulars. We also examined press coverage of these rulings and included relatively lengthy quotes from reports to avoid the potential flaw of quoting out of context and to substantiate our interpretations. Archival material included public records as well as business coverage of the events examined. We call upon an extensive report on the entry of the MAFs into the Indian market and its effects on the Indian accounting profession. This report is in the form of a publicly available White Paper published by the Chartered Accountants Action Committee for a Level Playing Field (CAAC) in 2002. Table 2 provided next, summarizes the archival documents reviewed as part of this even study.

Table 2: Summary of Archival Documents and Sources

Document	Year	Source
White Paper on Multinational Accounting Firms operating in India	2002	The Chartered Accountants Action Committee for Level Playing Field
Vision Document	2005	The Institute of Chartered Accountants of India (ICAI)
ICAI President Messages	1990-2005	ICAI Website
ICAI Annual Reports	1990-2005	ICAI Website
Rules of Network and Merger-Demerger amongst the firms registered with the ICAI	2004	ICAI Website
The Chartered Accountant (Amendment) Act	2006	ICAI Website
World Trade Organization GATS Regime: Implications For the Accountancy Sector	2002	The Chartered Accountant Magazine
ICAI Patrika	2005-2006	ICAI Website
Student Newsletter (ICAI)	1995-2006	ICAI (New Delhi)
Press Releases (ICAI)	1995-2006	ICAI (New Delhi)

Finally, we use evidence from interviews we conducted with individuals directly involved with the MAF entry event. These interviewees were comprised mainly of members of the ICAI, members of the CAAC, and audit partners of both local and Big4 accounting firms during our period of study. The interviews were semi-structured and aimed at gaining insight into the intra-professional conflict from those actively involved in the conflict. This insight adds value to our analysis, as it may not be comprehensively captured in the archival documents.

The interviews began with the interviewer describing the objective of the research. The interviewees were then asked for permission to tape the interview, with the interviewer assuring complete anonymity for the interviewee as it pertained to their employer and the public at large. The interviewees were also told of the opportunity they would have to subsequently verify the accuracy of the interview transcript and add changes they saw fit to best capture the content of their words. Both the interviewer and interviewee then signed an informed consent form to confirm compliance with the aforementioned terms of the interview. The interviewees were first asked to discuss their specific involvement with the Indian accounting profession, including the contexts of any committees on which they served and the content of any relevant regulatory reports they authored. The interviewees were then asked to validate the chronology of events obtained from the public records, elaborating upon these events based on their personal experiences. Finally, the interviewees were asked to discuss and/or provide any additional relevant archival documents or materials they could make available. Some of these archival documents include documents published by the ICAI, recommendations made by panels appointed by the ICAI, and newspaper reports. Table 3 below provides the data of each interview from 2006 in India, along with each interviewee's occupation and work experience.

Table 3: Breakdown of Indian Accounting Professionals Interviewed

Month of Interview	Occupation	Work Experience
July	Head of Audit Function in a Big4	10+ years of audit experience in the Indian market and director of a Big4 surrogate firm
	Head of Audit Function in a Big4	8+ years of experience in audit and director of a Big4 surrogate firm
	Senior Audit Manager in a Big4	5 years of audit experience with a medium sized local accounting firm
September	Author of the CAAC White Paper	A CA and an investigative journalist
	Author of the CAAC White Paper	A Retired Bureaucrat
	Author of the CAAC White Paper	A CA
	Author of the CAAC White Paper	A CA
October	Audit partner of a local accounting firm	10+ years of experience in the Indian accounting profession
	Audit partner of a local accounting firm	15+ years of audit experience in the Indian accounting profession

The Entry of MAFs into India: An Analysis of Factors and Consequences

Post Liberalization: The Entry Process

It is in the backdrop of these sweeping reforms that we analyze the entry of the MAFs into India. During negotiations of the 'bailout package' with the IMF, the MAFs saw an excellent opportunity to enter the Indian market for consulting services (CAAC, 2002). The firms entered India as consultants through the stipulations laid out by the IMF in the reforms package offered to the Indian government. The IMF reasoned that in the liberalized Indian regime, the MAFs were needed to facilitate the free flow of foreign direct investments into India by multinational corporations and investment bankers. These international investors, the IMF argued, would undoubtedly feel more comfortable with their own consultants (the MAFs) to advise them on best investing practices in India (CAAC, 2002).

At this time, the Foreign Exchange Regulation Act of 1947 (FERA) was in place to control the outflow of India's foreign exchange reserves. Under its provisions, foreign firms could enter the Indian market only after obtaining licenses issued by the Reserve Bank of India (hereafter, RBI). Faced with the potential foreign exchange crisis and the possibility of default on its foreign loans, the RBI followed the request of the IMF and issued special licenses to the MAFs that allowed their provision of consulting services in India. This granting of licenses to the MAFs was contained in Section 28 and 29 of the FERA.

Post liberalization, the consulting market provided new opportunities for the local Indian accounting profession to provide services to the multinational companies now investing in India. However, as noted in the CAAC White Paper, the MAFs, now also allowed to enter this market, had a distinct competitive edge over the local accounting firms. In an interview, one of the authors of the White Paper expanded on this lack of level playing field in the new regulatory environment. According to him, while the liberalization program allowed for foreign direct investment in the other sectors of the economy, the tariff regime was not entirely dismantled, protecting local companies from competition by multinational companies. The Indian currency was also devalued in phases, allowing local manufacturers to prepare for competition from foreign operators. However, this kind of tariff and phased protection were of no help to the accounting profession. Inequity for the local accounting industry continued as the Monopolistic and Restrictive Trade Practices Act was abolished in 1992, allowing the formation of large Indian companies, while the restriction regarding the maximum number of partners per accounting firm (20) was not removed. Thus, while the size of local accounting firms had previously mirrored the size of Indian companies, this would no longer be the case. And as Indian companies began growing with the opening of the nation's economy and the advantages of consolidation, the structure of local accounting firms remained the same, unable to grow to match increasing company demands. As one interviewee, a partner of a Big4 firm, pointed out:

> It was very difficult for these small local accounting firms to meet the demands of the large scale expansions of businesses and provide quality services, which only the Big4

> firms could handle. This paradigm virtually robbed the Indian accounting firms of their competitiveness, so very crucial to take on the Big4 accounting firms in India.

The CAAC White Paper elaborates upon the wild success of multinational accounting firms in the Indian accounting market:

> This was made possible because the MAFs managed to come to India stealthily by coining their connections in the international financial system and using the financial crisis that India faced. Thus the entire consulting services market came to be monopolized by the MAFs. (CAAC, 2002, p. 33)

An equally important point in the White Paper is that the Indian accounting profession and the ICAI were not informed of the entry of the MAFs into India, nor were they aware of their mode of entry. The MAFs entered India through the "floodgate of reform measures initiated by the government of India" (CAAC, 2002, p. 31). This initiative illustrates the introduction of governance via indirect measures on behalf of the Indian government to accomplish control of the indigenous accounting profession to further its objectives. It foreshadows subsequent initiatives taken by the government in order to control the activities of the accounting profession by blind sighting them.

There was no debate in any forum to shed light on the potential advantages and disadvantages of their entry into the Indian market (CAAC, 2002). The White Paper describes:

> The entry was stealthy. Even the ICAI was not consulted; perhaps it knew of the decision only in newspapers. While it is true that the initial 'mistake' could probably be attributed to the RBI and the government in as much as the ICAI was not even consulted before such opening up, the leadership of the profession has also failed in its part for its apparent apathy and indifference over the continued aberration, by not raising adequate objections. (CAAC, 2002: 31)

One of the interviewees, a director of a surrogate firm formed by a Big4, and its leader in audit practice, was not even aware of the consulting licenses granted to the MAFs by the RBI. This lack of knowledge is even more surprising given that this interviewee is an Ex-President of the ICAI.

This silent entry of the MAFs was elaborated upon by one of the authors of the CAAC White Paper in his interview:

> True, the ICAI was not consulted at any stage as the central government and the Reserve Bank of India (the nation's Central Bank), which were working overtime to contain the foreign exchange crisis, succumbed to the pressure of the IMF and the World Bank and the global financial pressure groups in ordering un-calibrated opening of the economy, not deeming it fit to consult the premier accounting body in any such decision making process. Opening of the consultancy field was regarded as the concomitant need to attract foreign direct investment. Since a national consensus had been built in favor of attracting foreign investment at any cost, and the opening of the consultancy sector was part of the agenda to attract foreign exchange through foreign direct investment, the opening of the consultancy sector also became integral to the emergency measures taken to correct the imbalances in the exchange regime. (White Paper Author)

It was not until the late 1990s that some members of the ICAI started questioning the "west-centric model of globalization of the accounting profession in India" (CAAC, 2002, p. 7). This sentiment slowly evolved with extensive discussions, meetings, and interactions within the Indian accounting profession. The eventual result was the birth of the CAAC at Chennai, India and the publication of its White Paper used as a publicly available source of information herein (2002). The first convention of the CAAC was held on September 1, 2002, when over four hundred Indian Chartered Accountants gathered together to discuss the implications of the entry of the MAFs into the Indian market. The members of the CAAC interacted with businessmen, policymakers, and widespread members of the media. What they found was an "amazing lack of awareness about the entry of the multinational accounting firms" (CAAC, 2002, p. 7).

The members of the CAAC felt it immediately necessary to shed light on the causes and consequences of this entry on the Indian accounting profession. The CAAC was chaired by Mr. B. S. Raghavan, a retired civil servant, who was not a Chartered Accountant, as members felt this would reduce any unintended bias. All other members of the CAAC were Indian Chartered Accountants. It is important we note that the ICAI was not involved in the creation of the CAAC or the publication of the White Paper.

Not only were the Indian accounting professionals uninformed of the entry of the MAFs into India, but they were also given very limited reciprocal rights to allow their provision of accounting services in the United States or the United Kingdom, the countries widely considered the places of origin for the Big4 (Caramanis, 2002). The Indian accountants were denied reciprocal rights by the U.K. at the time of the inception of the ICAI, when British Accountants were given recognition. Forty years later, we see history repeating itself with the denial of reciprocal rights to Indian accountants in the United States.

The local accounting firms in India were in a struggle against imposition of various forms of control. The General Agreement on Trade in Services (hereafter, GATS) under the auspices of the WTO was, and still remains, an existing trade agreement whose objective is to open the borders of WTO member nations to facilitate trading in all types of services, including accounting and auditing.[4] It addresses all types of services and modes of delivering such services, including: cross-border delivery, consumption abroad, commercial presence, and movement of natural persons.[5] While India accepted all modes of service delivery in the terms of its agreement, the United States made commitments at GATS negotiations to open its borders to all modes of delivery except for the movement of natural persons mode, by which individuals from another country may move temporarily to the United States to deliver accounting or auditing services (WTO, 1994). Additionally, the United States wrote certain limitations into its GATS commitments in order to protect specific state-level accountancy laws, such as residence requirements for Certified Public Accountancy licenses and requirements limiting owners of accounting firms to those licensed. These restrictions were seen by the authors of the CAAC White Paper as a "deliberate game plan of the west to maintain their control of the financial world" (CAAC, 2002, p. 31. Imperialism, according to Said (1993), "means the practice, the theory, and the attitudes of a dominating metropolitan center ruling a distant territory" and "colonialism, which is almost always a consequence of imperialism, is the implanting of settlements on a distant territory." Contemporary theorists of imperialism view the changing conditions of the post WW2 era as

[4] Obtained from www.wto.org on 09/09/20.
[5] For technical definitions of all four modes, see Arnold (2005).

constituting a new phase of imperialism in which the US came to dominate the world politically and economically in a way that Britain had never done (Wesseling, 1986).

If India wanted to contest these limitations, it would have to face the legal framework of the GATS, which makes it extremely difficult and costly for nations to modify or withdraw commitments once they are undertaken (Arnold, 2005). Thus, the Indian accounting profession had limited leverage in subsequent negotiations with the WTO, as the Big4 had already entered the Indian market under these limitations and therefore did not have to offer any reciprocal benefits to the Indian firms.

India was effectively bound to the liberalization and privatization that took place during the 1980s and 1990s, given the high costs associated with any attempt to reinstate restrictions on market access or policies favoring local accounting firms. In fact, in a similar struggle for local accountants in Greece, auditors once attempted such regaining of local market control after the nation had been similarly liberalized in 1992, only to be denied after the United States, in collusion with international accounting firms, applied intense political pressure in successfully blocking the attempt (Caramanis, 2002). In the case of India, the only notable attempt at resistance came from the authors of the White Paper who tried to rally the support of local Indian accounting firms, with no such success (CAAC, 2002).

Post Entry: Tactics of the MAFs

In an effort to circumvent these rigid restrictions, the MAFs entered into arrangements with larger local Indian firms, establishing them as their "surrogate firms" in order to enter the auditing and assurances market (CAAC, 2002, p. 34). Each Big4 established one or more surrogate firms, most of which were previously well established in the auditing and assurance market in India.[6] The list of each Big4 and its surrogate firms is provided in Figure 1 below.[7]

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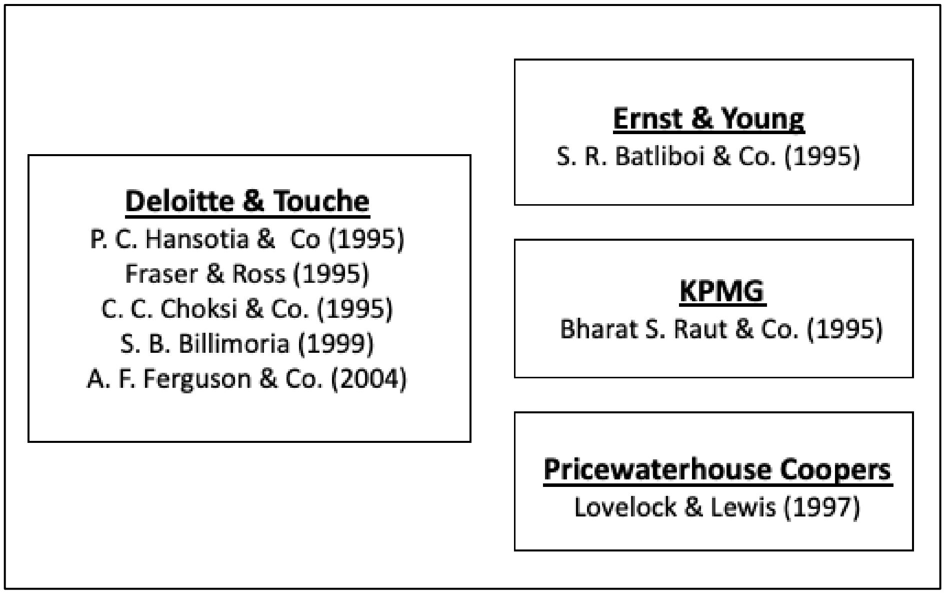
[6] Obtained from www.icai.org on 09/09/20

[7] Unlike the "hidden" entry though surrogate local Indian firms (and their respective local brand names), in other region countries, the Big4 entered the market directly or through joint ventures with local accounting firms, while maintaining the Big 4 brand identity. For instance, when the MAFs entered the China accounting market in the 1990s,

Figure 1: Big4 and their Surrogate Firms in India



Source: CAAC (2002). Note: Year of agreement in parentheses.

This arrangement enabled the MAFs to enter the audit and assurance services market and also to continue expanding into the consulting market. The partners of these surrogate firms acted in two capacities: first as partner of the surrogate firm providing audit services, and second as director of the subsidiary of the MAFs, licensed to provide consulting services. And even though there appeared to be two entities, one for auditing and one for consulting, both entities shared the same premises, the same staff, the same clients, and even the same website and email. Because surrogate firms had their consulting arms incorporated as corporate entities under the Indian Companies Act of 1956, no laws exist to prohibit these corporate directors from also serving as full-time practicing audit partners of the surrogate firm providing the attest function. One interviewee served this dual role and confirmed the CAAC White Paper's statement on the blatancy of firm function as one entity:

> The partner of the local audit firm would also be the director/representative of the linked Big4 consultancy, so that one visiting card will identify him as the representative of the Big Four entity and the other visiting card will identify him as the partner of the audit firm. (White Paper Author)

they operated under the following names: KPMG Hua Zhen, Ernst & Young Hua Ming, Pricewaterhouse Da Hua and Deloitte Touche Hu Jiang (Desai, Xu, & Zeng 2016).

The profit-sharing arrangements between the MAFs and surrogate firms are not publicly known according to the CAAC White Paper (2002) and an analysis of the available archival documents. However, an author of the White Paper hypothesized in an interview that:

> It is obvious that there is no free lunch between the concerned MAF and the surrogate firm. It is certain that there is consideration, but no one knows how the consideration is factored in. There are surmises that the consideration could be disguised in the form technical consultancy, technology fees, training fee, etc. (White paper author)

We were able to gain more information on the nature of this consideration in an interview with a surrogate firm partner who described that the client of the surrogate firm has the option to choose from a 'menu' of services that are provided using the same office space, staff, and technical resources available for all firm services. Since the local surrogate firm cannot share its profits with the non-Chartered Accountants comprising the MAFs, the MAF charges the firm a series of fees related to technical help and training, which are then reimbursed by the client. Thus, there is no technical violation of the Indian accounting professional regulations in place.

This arrangement benefited both the Big4 and the few local surrogate accounting firms chosen to participate. With the traditional demand for accounting services changing and expanding upon entry of foreign direct investment and large institutional investors, and the high level of MAF support by major world bodies such as the IMF and the World Bank, local Indian accounting firms "felt insecure about their capacity to retain their position" (CAAC, 2002, p. 34). Local firms therefore looked to become surrogates or affiliates of MAFs in order to retain their current work and access new work (CAAC, 2002). The Indian government employed a strategy by which some local accounting firms became 'allies' thus creating a divide among indigenous populations. Wolfe (1997) describes such allies as the comprador class which is a group of local elites who benefit from the relations of colonialism. In his words, they are:

> the agential linchpin of the whole system, acquiescing in their own exploitation from above in return for the balance left over from what they had expropriated from below—including of course, the military, political and economic support that the metropolis committed to maintaining them in power. (p. 396)

The MAFs also began to openly advertise and build their brand names in India during this time, as local Indian accounting firms remained subject to the strict restrictions against advertising of any kind. MAF promotional activities ranged from holding sponsored cricket matches, to releasing high cost advertising campaigns into the media, to creating and hosting events for awards such as the Business Leadership and Entrepreneur awards, all in attempt to access the high-yielding corporate and financial market for professional work at that time (CAAC, 2002). The ICAI expressed its displeasure with the MAFs' circumvention of India's conventional accounting practices, questioning them in a report published in *The Chartered Accountant*, the official publication of the ICAI:

> The Government should review the alternative route of entry of accounting firms in India in the name of management consulting firms, and circumvention of the law of the land taking place directly and indirectly by the performing of accounting services by them. (2000, p. 16)

Post Entry: Responses of Indian Banks, Government, and Other Regulators

In addition to the ICAI, actions by banks and local governmental authorities provided tacit support to the MAFs to the detriment of the local accounting profession. For example, the State Bank of India issued advertisements inviting bids for audits of all the Indian and overseas branches, stipulating the size of the providing firm had to be around 500 billion rupees. The Bank was aware that no local Indian accounting firm was close to this size, enabling only the MAFs to partake in this bidding through their local surrogates to the detriment of local firm business development (CAAC, 2002).

Additionally, the local Indian government postponed its divestment program for public sector oil companies in 2002 due to a lack of political consensus. This caused international rating agencies to immediately downgrade India's investment rating, further hurting local Indian firms. Furthermore, the Indian government employed large foreign firms, such as the MAFs, for lucrative professional service assignments traditionally provided by local firms, ranging from investment planning and advisory roles to consulting roles in the implementation of new taxation structures. We provide a list of public sector units and their advisory firms in Table 4 below, highlighting their heavy use of large foreign advisors.

Table 4: List of Public Service Units with Foreign and Indian Advisors

Name of the PSU	Advisor (Foreign)	Advisor (Indian)
Air-India	JP Morgan Stanley	
CMC Limited	KPMG	
Hindustan Copper	Sumitomo Bank	IDBI
Hindustan Insecticide		A F Ferguson(*)
Hindustan Organic Chemicals		A F Ferguson
HTL	KPMG	
Hindustan Zinc Ltd	BNP Paribas	
Indian Airlines	ANZ Grindlays	IDBI
IBP Limited	HSBC Securities	
HPCL	Warburg Dillion Read	
ITDC	Lazard	
Madras Fertilizers	Bank of America	
National Fertilizers Limited	Rabo Finance Limited	
Pradeep Phosphate Limited	Deloitte and Touche	
Sponge Iron India Limited		A. F. Ferguson
VSNL	CS First Boston	SBI Caps
Bharat Heavy Plates		S. B. Billimoria(*)
Bharat pumps		S.B. Billimoria
Hindustan Cable Limited		ICICI
Hindustan Salts		SBI Caps
Instrumentation Limited		IDBI
Jesop and Co		A. F. Ferguson
NEPA		SBI Caps
Scooters India	PWC	
Tungabhadra Steel		IDBI

Source: Journal of the ICAI (2002). Notes: *Since this data was gathered, A.F. Ferguson and S. B. Billimoria have become surrogate firms of multinational accounting firms (The Economic Times, 2002).

The CAAC White Paper further cites a specific example of a government-run Development Financing Institution that put tremendous pressure on its borrowers to have their quarterly income statements certified by the MAFs. The assignments carried remuneration as high as 15 to 20 million rupees for four quarters. The borrowers had great incentive to follow the recommendations of the financial institution as they needed its financial support. This type of encouragement of MAF service use became increasingly common on the part of local government and regulatory agencies in India upon their entry. In fact, the CAAC White Paper noted that "the Indian government has turned into the biggest promoter of the multinational accounting firms to the prejudice of the Indian accounting profession" (CAAC, 2002, p. 42). Mechanisms employed by the Indian government facilitated the imposition of this "new style" colonialism in that macro government policies provided transnationals with incentives to locate in India.

In our study we see the Indian government promoting such new style colonialism on behalf of the MAFs. In an interview, an author of the White Paper attributes this bank and governmental patronage to MAF brand reputation and soliciting activities, and describes the nature of this continuous support to the detriment of alternatives to support local firms:

> The Indian banking and public sector fell prey to the attractive business models of the MAFs. To illustrate, there have been numerous instances where advertisements calling for empanelling (hiring) Chartered Accountants were tailored to suit exclusively the MAFs. This was done repeatedly by some Banks and other financial Institutions when the fact that MAFs cannot legally represent[8] Chartered Accountants in India was overlooked by everyone including the ICAI. National firms were excluded by tender conditions. The same tender conditions could simply have made it obligatory for an Indian Chartered Accountant firm to associate itself with a MAF if the expertise of the MAF was required. This had previously happened in the telecom field where the government tender used to insist that only Indian companies should bid but that they must have a foreign investor who has certain experience in telecom operations. But here in the case of the Chartered Accountants, the requirement was not to promote national Chartered Accountant firms, but to destroy them. (White Paper Author)

In addition to this local perpetuation of an uneven playing field for Indian firms, changes in United States regulation exacerbated their situation. While preparing their White Paper, the CAAC discovered that United States regulations had been modified to stipulate that offshore companies listed on a United States stock exchange could only be audited by an accounting firm registered in the United States and the country where the auditors practice (CAAC, 2002). An intention of this regulation could have been to force countries such as India, which had not allowed MAFs to directly register in their nations, to allow such registration. If India did not

[8] The interviewee's use of the term "Legally represent" implies the provision of audit services and the fact that MAFs were not authorized to accept audit and advisory services. They were provided a special license to provide consulting services only.

register the MAFs in India, then neither the MAFs nor their surrogates could audit the financial statements of Indian companies listed in the United States. Thus, either the surrogates of the MAFs have to be registered in the United States, or the MAFs have to be registered in India. Given the reluctance of the United States' state boards to grant registration to foreign accounting firms, and the tremendous influence over local Indian bodies enjoyed by the MAFs, it would be much more likely that the MAFs be allowed to register in India.

Finally, the regulatory marginalization of the local accounting firms in India is evidenced by the Chartered Accountant Amendment Act of 2006 (hereafter, the Amendment Act), which was announced by the Central Government of India in a *Gazette* publication dated March 23 of 2006. Some changes provided by this act directly relate to the entry of the MAFs into the Indian audit market. For example, the Act removes the restrictions on accounting firm profit-sharing with non-Chartered, non-ICAI members for services provided in India or abroad. The Act also permits multi-disciplinary partnerships, within or outside of India, with certain categories of non-ICAI members. Additionally, the Act eases the stringent solicitation restrictions, allowing limited advertising subject to guidelines to be issued by the Council. Arguably, non-surrogate local accounting firms could have also taken advantage of these relaxed policies in order to compete with the large MAFs and their surrogate affiliates. However, due to their size and resource limitations they did not have the ability to gain any competitive advantage that they would obviously need in order to compete for market share from the MAFs and their surrogates.

In 2009, the Indian affiliate of PricewaterhouseCoopers routinely failed to follow the most basic audit procedures, the United States Securities and Exchange Commission (SEC) penalized the firm for its failed audits of Satyam Computer Services, the Indian company that falsely reported more than $1 billion in profits. A high-powered body of the ICAI, probing the Satyam scam, said “The Big Four, PricewaterhouseCoopers, KPMG, Ernst & Young and Deloitte, are using the permission granted for doing consultancy work but carrying out other services that they are not permitted to do. "It has been noticed that MAFs (multinational accounting firms), entered through automatic route for rendering consultancy services, are transgressing the permission so granted and are rendering taxation services, auditing, accounting and book keeping services and legal services," said the committee, headed by former ICAI president, Uttam Prakash Agarwal. Price Waterhouse Bangalore, an affiliate of PricewaterhouseCoopers, had been the auditor of scam-tainted Satyam Computer, a company that was involved in India's biggest accounting fraud. The committee claimed that "Indian firms and MAFs are defacto the same entities providing the assurance, management and related services and as such their operations are designed to circumvent the provisions of the Chartered Accountants Act, 1949, and regulations framed thereunder," (Times of India, April 2010).

In 2011, the US SEC and Public Company Accounting Oversight Board in its investigation found the India unit of the auditor in violation of the quality control standards. It said PW India, which looks after PwC India's accounting business, failed to conduct procedures to confirm Satyam's cash and cash equivalent balances that resulted in the "fraud at Satyam going undetected" for a long time. However, in September 2015, The intensive oversight by an independent monitor that PwC India's accounting practices had to submit to, after it got embroiled in the Satyam scandal, was finally withdrawn. Despite the efforts to set its house in order, many believe PW India still has some distance to cover. Amit Tandon, founder of Mumbai-based proxy advisory firm Institutional Investor Advisory Services, says, "Earlier, the global professional services giants had an anything-goes-in-India attitude. That is changing now, but still there is a difference in their practices in matured markets and that in India."(Business Standard, 2015).

Post-colonialism theories argue that less developed societies are often colonized because they suffer from an unresolved 'dependence complex' which leads them to seek out colonial masters. Thus, such research suggests that colonization is the result of psychic differences between those who show such dependency and others who become colonizers, fearing their own inferiority and seeking out ways of proving themselves (Mannoni, 1956). India's desperate times certainly created a greater "need" given their state of dependence on the new sweeping reforms that allowed MAF entry. This narrative confirms the realist view of world politics, major states are in a position to exercise political and ideological hegemony over the affairs of lesser states (Caramanis, 2002).

Post Entry: Overview of the Shifts in the ICAI's position on MAFs

Compounding the woes of the beleaguered local accounting firms, banks, local regulators, and even governmental institutions seemed to be further undermining the efforts of local accountants to establish some foothold in the consulting services market by actively supporting the MAFs (CAAC, 2002). The strong local MAF patronage, unfavorable regulations, and enormous international influence of the MAFs significantly deterred any hopes for the local Indian firms to protect their jurisdictions of practice. The interviewed authors of the CAAC White Paper unanimously emphasized the tremendous support of MAFs by local regulators, specifically the ICAI. They described the high level of media and government attention generated by the White Paper, while the ICAI "did nothing about it and even today, it maintains a deafening silence on the White Paper" (White Paper Author). In, fact, while the ICAI never directly addressed the White Paper, it published a vision document around the same time as the White Paper, openly legitimizing the presence of the MAFs in India and exhorting local accounting firms to accept this reality (ICAI, 2004). The tone of encouragement in this vision document is captured in the following excerpt:

> The Indian Chartered Accountancy Profession must recognize the changes in Economy/Business environments, globalization of business and competitive pressures… and must recognize the path to success by adapting to the changes, knowledge management and acquiring skills to work within the future environment influenced by technological and other changes. It must recognize the Institute's role as proactive, innovative and flexible and the need to be known as a World Class Advisor. (ICAI, 2004, p. 1)

The ICAI was apparently in a conflicted state. A 2003 panel appointed by the Council of the ICAI recommended that the MAFs be prohibited from offering accounting and consulting services under their current names (ICAI, 2003). The panel additionally recommended that the ICAI not allow MAFs offering these services to bear a name that is similar to that of an Indian or foreign accounting firm. Acknowledging that the ICAI did not have jurisdiction over MAFs, the panel suggested the ICAI make a presentation to the Department of Company Affairs on the adverse effects of allowing the Big4 to brand their management consultancy services. The panel suggested the Department could then instruct the Registrar of Companies to prohibit the use of their current names in such service provision. The panel also suggested that surrogate firms not indulge in "co-branding and attest functions directly or indirectly" with Big4 (ICAI, 2003, p. 1). It is apparent that the ICAI failed to enforce the recommendations of this panel, as the Big4 continued to provide consulting and accounting services under their own names, to the detriment of many local Indian firms. The concept of informal empire (Robinson, 1986) helps us understand the groups of actors within the periphery and metropole who are important to the actual working of informal empire (Annisette, 2000).

In an interview with one of the White Paper authors, he describes the widely-held reasoning for the ICAI's strong support of the MAFs in the Indian market. He explains that the ICAI found itself in a conflicted position. Members did not want to openly oppose the entry, as they would have to discipline the surrogate firms that had circumvented some of the ICAI rules laid down in the scope of the act, thus punishing many of their own key members who served as partners of these firms; nor did they want to ignore the entry, appearing weak in the eyes of the local accounting firms being affected by the success of the MAFs working through their local surrogate firms in the audit and assurance market. A viable option was then to justify the entry and actions of the MAFs by framing them as inevitable events that come along with globalization and growth of the profession. Even the CAAC did not put up much resistance, other than preparing the white paper and there is no further evidence of any actions or initiatives undertaken in protest of the activities of the MAFs. They had a lengthy list of suggestions of "What Indian CAs should do" in the final section of the white paper but there was no record or reports of implementation of any of these suggestions. The white paper itself relied heavily on the use of western research to discredit the major accounting firms. The paper cites reports co-authored by a UK-based accounting academic and a legislator. Mannoni notes, "there is no doubting that colonization has always required the existence of the need for dependence. Not all people can be colonized: only those who experience this need" (1956, P. 85).

The entry and subsequent dominance of MAFs in India demonstrates the sub-ordinance of weak nation-states in a global economy, as theorized by Held (1991). Cultural imperialism describes the manner in which society develops with this sub-ordinance directed at the powerful dominating center (Schiller, 1976), which is increasingly viewed as Western society in the evermore capitalistic world. Weakened nation-states provide easy expansion opportunities for MAFs, as these nation-states are too economically and politically feeble to resist significant international pressure (Caramanis, 2002).

CONCLUSION

In our study, we examined the powerful international networks and harsh national realities facing weak nation-states in our increasingly globalized economy. We particularly examined the influence of these networks in the context of the overhaul of the Indian accounting profession from 1990 to 2005, when MAFs, intent on establishing a dominant presence in India, entered the nation during turbulent times brought on by an imminent foreign exchange crisis. Calling upon several extant literary theories and data from archival documents and interviews, we analyze the events and dynamics that transpired during our period of study.

Our analysis yields many insights: first we highlighted the vulnerability of weaker nation-states such as India to the highly-networked international bodies gaining great power over global markets, especially during times of uncertainty. We next describe the sources of the power of the Big4 over these international bodies, which enable them to exert substantial influence over national and international regulatory policy. We elaborate upon this influence as exercised to gain an exponentially greater global market share in national industries, such as the Indian accounting profession. Lastly, we documented the lack of action often exhibited by national professional associations and governments, such as the ICAI and the Indian government, against multinational firm intrusion.

Globalization has often been framed a series of trade-offs in schools of thought: nationalism versus internationalism, national sovereignty versus global citizenship, unilateralism versus multilateralism. However, our analysis begs the question of actual free-will of nations to maintain a nationalistic perspective in light of the ever-reaching force and influence of powerful global bodies aimed at imposing globalization at any cost to local markets. In the case of the Indian accounting market, the local firms never stood a chance against multinational firms, facing an uneven playing field from the start. Perhaps a liberalization of the accounting profession prior to entry by the MAFs would have better prepared local firms for global competition, but even currently, over a decade after entrenchment of the market by the Big4, local firms face more stringent regulations than the MAFs, disabling their ability to compete and forcing them further and further into extinction. In a recent article published by Reuters, it was noted that India's government wants to begin to assess whether the MAFs and their affiliates are impacting competition and potentially abusing their position in the accounting market in India (Karla & Roy, 2019). This suggests the topic of the entry of the MAFs into the Indian accounting market is both timely and relevant and that our study provides a real world context into current events.

Our analysis provides further insight and real world context for researchers attempting to understand how globalization and neo-imperialism, and neo-colonialism transforms professional service markets in developing economies. Two overriding themes described by Hirst and Thompson (1995) in this area are supported by our study. First, in our ever-globalized economy, the functions of the nation-state tend to be reduced to distributing regulations, which are actually dictated by powers of governance on the international level. Second, with globalization comes increased power for major nation-states through influence over international economic institutions and multinational firms, and decreased power for lesser states such as India whose policies are evermore negotiated by these international bodies outside of their control.

Richardson (2009, p. 574) warns that with globalization, major regulatory influences will tend more towards "distant centers of calculation" that may cause local due process to come too late in the decision process and be discounted relative to these powerful international centers. This is consistent with the theory of cultural imperialism, and was precisely the case for the accounting profession in India upon the dominating entry of MAFs. Research has suggested this type of dependence and influence in the accounting profession to be more prevalent and powerful during downtrodden times for the nation-states being dominated (Cooper, 1986; Gilpin, 1987; Malsch & Gendron, 2011), precisely the times India was facing upon entry of the MAFs. Such dependent development, as described in cultural imperialism, creates a vulnerability to the powerful center of dominant cultures (Salinas and Paldan, 1979). Insights gained from our study help to advance our collective understanding of developing nation dynamics and may assist policymakers in such nations to better prepare for the sweeping effects of globalization.

LIMITATIONS AND FUTURE RESERACH

The backstage information provided in our analysis may not be as in-depth as needed and at times, we could not identify arrangements entered into between the MAFs and the other local bodies due to their confidential nature. This made it difficult to isolate the exact circumstantial roadblocks and restrictions the local accountant was in India facing, hence requiring conjecture in our analysis, that we recognize is a limitation of the study. We further acknowledge the fact that the single point interviews from 2006 are a limitation of the paper, and note that our attempt at a longitudinal methodology through re-interviewing of same individuals was unsuccessful, mainly due to the long passage of time since the event at hand.[9] We argue this limitation offers a fruitful opportunity for future research, to embark on alternative source follow-up interviews that could provide the longitudinal perspective on the same, or different, research of event analysis.

[9] There are numerous challenges attributed to data collection and gathering (especially qualitative in nature) when it comes to developing or emerging countries. Recent published studies in the *Journal of Accounting in Emerging Economies* (Desai, Xu & Zeng, 2016; Litt, Desai & Desai, 2015), which rely on "dated" data, further support our belief that the interview dates themselves should not have a bearing on the contribution of our paper, as it is supplemented by the performed analysis of archival documents (see Table 2).

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