

## Role of Ethics in Modern Indian Businesses

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### ABSTRACT

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The law often guides business ethics, but at other times business ethics provide a basic guideline that businesses can choose to follow to gain public approval. The study concentrates on how the modern businesses are accelerated by applying the code of conduct in the environment of the business. The article discusses the survival of modern in the present society. The results of this study would help the modern industries in achieving their targeted result in a smooth way. The existing companies can improve their practices and new business can comply with the results for better performance.

**KEYWORDS:** Business Ethics, Corporate Governance, Social Responsibility, Ethical Behavior, Code of Conduct

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### I. INTRODUCTION

Ethics commonly means rule or principles that define right and wrong conduct. It may be defined as: <sup>1</sup>“Ethics is a fundamental trait which one adopts and follows as a guiding principle of basic dharma in one’s life. It implies moral conduct and honourable behavior on the part of an individual. Ethics in most of the cases runs parallel to law and shows due consideration to others rights and interests in a civilized society. Compassion on the other hand may induce a person to give more than what ethics might demand” **‘Ethics’** is derived from the Greek word *‘ethos’* which means a person’s fundamental orientation toward life. Ethics may be defined as a theory of morality which attempts to systematize moral judgments. According to Garret, “Ethics is the science of judging specifically human ends and the relationship of means to those ends. In some way it is also the art of controlling means so that they will serve specifically human ends.” Thus ethics is the science of judging right and wrong in human relationship. It can also be termed as the science of character of a person expressed as right of wrong conduct or action. Having the concept of ethics, we can say that **‘Business Ethics’** is nothing but the application of Ethics in business. The term business ethics represents a combination of two very familiar words, namely “business” and “ethics”. The word business is usually used to mean “any organization whose objective is to provide goods or services for profit” (Shaw and Barry, 1995). In a nutshell, Business ethics can be regarded as the study of business situations, activities, and decisions where issues of right and wrong are addressed. Business ethics, it has been claimed, is an oxymoron (Collins 1994)<sup>4</sup>. By oxymoron, we mean the bringing together of two apparently contradictory concepts, such as in ‘a cheerful pessimist’, or ‘a deafening silence’. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business; that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, in the latter case, (Albert Carr 1968) notoriously argued in his article ‘Is Business Bluffing Ethical’ that the ‘game’ of business was not subject to the same moral standards as the rest of society, but should be regarded as analogous to a game of poker where deception and lying were perfectly permissible.

Ethics concern an individual’s moral judgements about right and wrong. Decisions taken within an organisation may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit. Ethical behaviour and corporate social responsibility can bring significant benefits to a business. For example, they may:

- attract customers to the firm’s products, thereby boosting sales and profits
- make employees want to stay with the business, reduce labour turnover and therefore increase productivity

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<sup>1</sup>[http://www.internationalseminar.org/XIII\\_AIS/TS%201%20\(A\)/17.%20Mr.%20Ranjit%20Kumar%20Paswan.pdf](http://www.internationalseminar.org/XIII_AIS/TS%201%20(A)/17.%20Mr.%20Ranjit%20Kumar%20Paswan.pdf)

- attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
  - attract investors and keep the company's share price high, thereby protecting the business from takeover.
- Unethical behaviour or a lack of corporate social responsibility, by comparison, may damage a firm's reputation and make it less appealing to stakeholders. Profits could fall as a result.

### **PURPOSE OF RESEARCH**

The motivation behind the investigation is to add to the comprehension of business morals and especially it mirrors the cutting edge business practice with the use of set of principles. The investigation focuses on how the advanced organizations are quickened by applying morals in the condition of the business. The investigation additionally centers around why the advanced business needs the utilization of morals in their endurance in the general public.

### **NEED FOR ETHICS IN BUSINESS**

Ethical considerations are as important in management as in any other occupation. In the field of morality, personal life is not separate from business life. Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have tended to attract an enormous amount of attention from various sections. Since the business exists and operates within the society and is a part of subsystem of society, its functioning must contribute to the welfare of the society. To survive in the society a business must earn the social sanction of the society. Without social sanction, a business cannot earn loyal customers. The survival of any business requires two things. On the one hand it must be go in line with profit maximization and on the other hand it must satisfy the stakeholders. Within the parameters of stakeholders society can be considered one important among them. Ethical considerations areas important in the modern business practices. In the field of morality, personal life is not separate from business life. The social dimensions of business ethics cannot be overlooked because many problems arise from the relationship of business to the broader society. Business needs to remain ethical for its own good. Unethical actions and decisions may yield results only in the very short run. For surviving long term businesses require to conduct it ethically and to do its business on ethical lines. The need for improvement of ethical behavior has become clear by way of some widely publicized cases. We have had a number of scam in India like 2G Spectrum scam, Commonwealth Games Scam, Telgi Scam, Satyam Scam, Bofors Scam, The Hawala Scandal, IPL Scam, Harshad Mehta & Ketan Parekh Stock Market Scam etc. Therefore the ethics become very necessary to implement in the business activities. Not only the business organization but each and every individual should have the ethical behavior. At the present time there is not any alternative but to implement the ethical behavior.

### **INFLUENTIAL FACTORS ON BUSINESS ETHICS**

Many aspects of the work environment influence an individual's decision-making regarding ethics in the business world. When an individual is on the path of growing a company, many outside influences can pressure them to perform a certain way. The core of the person's performance in the workplace is rooted by their personal code of behavior. A person's personal code of ethics encompasses many different qualities such as integrity, honesty, communication, respect, compassion, and common goals. In addition, the ethical standards set forth by a person's superior(s) often translate into their own code of ethics. The company's policy is the 'umbrella' of ethics that play a major role in the personal development and decision-making processes that people make in respects to ethical behavior.

The ethics of a company and its individuals are heavily influenced by the state of their country. If a country is heavily plagued with poverty, large corporations continuously grow, but smaller companies begin to wither and are then forced to adapt and scavenge for any method of survival. As a result, the leadership of the company is often tempted to participate in unethical methods to obtain new business opportunities. Additionally, Social Media is arguably the most influential factor in ethics. The immediate access to so much information and the opinions of millions highly influence people's behaviors. The desire to conform with what is portrayed as the norm often manipulates our idea of what is morally and ethically sound. Popular trends on social media and the instant gratification that is received from participating in such quickly distort people's ideas and decisions.

### **POSSIBLE ADVANTAGES OF EXECUTING A MORAL/ ETHICAL CODE**

A Code of Ethics is an announcement of the standards and convictions of an association. Standards are the principles of conduct, anticipated from everybody in the association when gone up against with a specific circumstance comprising of moral difficulties. The standards of conduct in the Code of Ethics are a progression of 'do's and don'ts' itemizing the normal norm of conduct from everybody in the association. These codes are useful for mental set ups for doing or not accomplishing something. This will assist the brain with deciding any issue which has moral worth. Code of morals can for the most part make a representative of the association

mindful of their commitment and the ethical obligations towards the association. As we have just talked about that morals have no all inclusive acknowledgment. Supervisors at times confronted with circumstances which are morally questionable with no obvious moral rules. In India there are a few arrangements with respect to the government assistance of the network. However, with respect to the business exercises there is no such obligatory set of accepted rules. These lacks can be dodged if there is a formal and explicit code of morals. As indicated by the Business Ethics Survey Report India led by KPMG India-Smart Indian organizations are progressively getting worried about "The manner in which they work together". They understand that great morals is acceptable business as well.

The review proposed the accompanying five stages to create Ethical Enterprise.

- Appoint a morals official ideally a regarded senior leader who has as of late resigned from your association.
- Involve workers in building up a statement of purpose on the off chance that you as of now have one, re-verify if you have to include 'morals' to it.
- Evolve a set of principles and guarantee each representative knows precisely how your organization likes to lead business.
- Facilitate upstream correspondence from workers by putting resources into a complaint cell or a hotline or an ombudsman
- Build a moral culture by close to home model CEO should represent Chief Ethics Officer in your organization.

### **PRACTICING ETHICS IN INDIAN BUSINESSES**

In the 21st century India, all businesses can afford to pay all due taxes and avoid corrupt practices while still making good profits needed for survival and growth. This is a fact that has to be understood clearly by all. They have a large number of good examples of successful and ethical businesses in India to emulate; and their number is increasing due to the changed expectations of multinational corporations from their Indian vendors and partners. Only a firm resolve by the top management can make it possible for a business organisation to behave ethically in its interface with the government. The top alone can decide not to evade taxes and simultaneously find ethically right ways of making the business grow.

Analysis of India data by Transparency International show that businesses can manage to get their due rights without being compelled to use the three main routes of corruption: namely, speed money, nuisance value and underhand commission. The TI data brings out that the most corrupt areas in India are the police and the legal system. Even in these, a demand for bribe is made only about 40-60 % of times; and only about half of these are actually paid. This is very bad by international standards of near zero demand for bribes, but tells us that the assumptions of 'everyone is corrupt' and 'one must pay' to get each due service are quite wrong.

Individuals and businesses can manage to get their due rights without bribing if they opt for so doing. A substantial number of small, medium and large businesses in India avoid such corrupt practices today by simply adhering to the rules and regulations correctly. Thereby they make themselves non-vulnerable to undue pressures from government functionaries. Resorting to higher authorities when a person at the desk level seeks gratification, produces desired results most of the times. (Even a corrupt boss has to maintain a clean image!) Once regulations are properly read, understood and followed, the need to escape legal punishment does not arise. However, 'not breaking laws' needs strong ethical conviction at the top management level. The more the violations of this kind are caught and punished; the better will be the compliance. Top bosses have realised that their prestige in the society and the goodwill for their business are dependent on their adhering to ethical standards.

Use of information technology has made it possible to bring in great transparency in systems and has eliminated corruption at many levels. India is marching internally towards better democracy, improved governance, fewer unduly restrictive laws and simplified tax regime. Externally, India is getting increasingly integrated with the businesses and institutions from the advanced countries that are far ahead in ethical behaviour in business. The external as well as the internal pressure for businesses to behave ethically also in their interface with the government are increasing. Many more of the younger generation entrepreneurs are willing to adhere to ethical standards. Given all these trends, we hope to see a substantial reduction in tax evasion and in the use of corrupt practices by business. The management students as well as the young managers of today have to take these trends into account and build their careers by following the right path - the path of right.

### **SOURCES OF ETHICS**

Morals are definitive discoveries of the heavenly existences of our predecessors. They are accumulated as either extraordinary stories, religions, culture or law. Each nation has the fortune of morals. Be that as it may, the significant wellsprings of morals are religion, culture and lawful framework.

01. **Religions:** The adherents of religions get moral direction from religions in dynamic. Each religion on the planet shows the great and maintains the essential fact of the matter. One can get moral motivations from religion.

Hinduism, Christianity, Islam, Judaism, Buddhism, Jainism, Confucianism, Wellsprings of Morals

1. Religion
2. Culture
3. Lawful System and so on., are the significant religions which manage their devotees to live for the great of the general public. In Hinduism, Ramayana and Mahabharata have been the wellsprings of numerous moral qualities which hold great until the end of time.
  - a. A manner of speaking however virtual discussion between Lord Krishna and Arjun in Mahabharata, known as Shrimadbhagavadgeetha, gives preparing to the executives experts to determine quandaries in dynamic.
  - b. The Ten Commandments of Bible give exemplary things in human activities. These Ten Commandments have been the core values for organizations in Christianity-ruled nations.
  - c. As Islam denies loaning cash for premium, Islamic Banks follow the 'shariyat' given in Quran in their tasks.
  - d. Grantham, Tripitakas, and so forth., are the wellsprings of moral qualities for the separate adherents. Business people who are firmly impacted by their strict convictions and standards apply them in their business exercises and have been fruitful too.

02. **Culture:** Culture is a lot of qualities, rules or guidelines sent among ages to deliver a typical conduct among individuals. It changes in agreement with the time. Social qualities once hold great and right need not be the equivalent after some time. Culture is the harbinger of co-activity also, co-appointment between the individuals of various nations. Issues identifying with social contrasts should be seen by social relativism and explained. Globalization has obliged the social trade through transnational companies. Code of morals received by the organizations need to address the social sentiments of the nations where they work.

03. **Lawful System:** Laws are the principles which manage the human conduct in any society. Adherence to law turns into the moral obligation of individuals and associations. Opportune order of expected enactments to address or readdress concerned issues adds nuance to the basic rights and obligations just as assurance of the residents of the nation. Transnational organizations, the windows of LPG time, need to watch not just the home legitimate framework, yet in addition the universal lawful framework to comprehend lawful issues in universal exchange

### **ETHICS IN CURRENT INDIAN BUSINESSES**

The current business condition in India is portrayed by four significant socio-affordable and political boundaries. India has

1. A working majority rules system, with free legal executive what's more, a free press.
2. A free market, globalized economy with a functioning private segment.
3. Simplicity of section and exit for organizations.
4. Countless NGOs - wilful non-government associations for social causes - are dynamic

In spite of the fact that India needs to make a few enhancements in every one of these boundaries to turn into a head class country, the circumstance today is obviously superior to the time previously 1991-1995. This is confirm by the high pace of development of GDP in the scope of 8.0 to 9.0 percent for the past quite a long while. Given this business condition, all organizations - creation, exchange, and administrations - need to endure and develop in furiously serious globalized markets.

Let us look at the conduct of any business with deference to every partner that bolsters its reality and development.

1. Clients: A food merchant who cheats by giving home conveyance of not exactly charged load of the things will before long find that he needs to close his business. A similar rationale holds great for any business giving less an incentive for its client's cash.
2. Workers: Pay less to representatives contrasted with other comparable occupations, acquire nepotism, be uncalled for in advancement rehearses, be insensitive in taking care of the cleanliness, wellbeing and individual needs of workers and find that your business can neither select great people not hold them. Unscrupulous practices hurt in the short, the medium too as the long haul!
3. Merchants: Treating the providers (crude materials to hardware) in a self-assertive way, captivating in nepotism, looking for underhand commission and so forth perpetually hurt. These outcome in brought down normal quality, more defectives or on the other hand more significant expenses. These hurt the gainfulness of the business in the medium term, if not promptly, and make endurance troublesome.

4. Banks: Those who give accounts to capital costs what's more, for the working capital must be certain that the executives is deserving of their trust. The banks need to have confidence not just in the specialized ability of the executives, yet additionally need to have a confirmation that the money related dealings of the business are appropriate. Indeed, even a little slip on an inappropriate side of morals makes this trust vanish for the time being! No business can endure when denied of the required financing

5. Investors: Since the 'investors themselves deal with the miniaturized scale, little and medium undertakings, no irreconcilable circumstance exists between the two. Be that as it may, out in the open constrained organizations and in the helpful social orders, the little investors from general society/premium gathering can get a not exactly reasonable profit for their venture. The top the executives can take an unduly huge portion of benefits for themselves, show less benefits, and bring in cash 'on the side' for themselves at the expense of the association. Such unscrupulous practices make endurance dubious and the degree for raising capital through expanding the value vanishes.

6. Society: The open weight on the business is expanding: the business isn't just asked not to hurt nature yet in addition expected to acknowledge some social obligation. Self-ruling bodies like SEBI and the legislature fortify this interest through sets of accepted rules and laws. Open Interest Litigations guarantee that the conspiracy between the polluters and the contamination regulators is diminished. The enormous scope organizations are tolerating and following up on their Corporate Social Responsibility. An enormous some portion of the financing to the NGOs of various types originates from the magnanimous gifts/support from the little and medium scale organizations. We therefore observe that each business in the serious markets of today and tomorrow is, truth be told, acting morally with every one of its partners basically in light of the fact that it requirements to endure and develop. Untrustworthy practices with partners lead constantly to the termination of the business, at some point or another. Along these lines, the announcement (made in the start of this article) most organizations carry on morally a large portion of the occasions is for sure legitimate in India today. Yet, at that point, for what reason do the vast majority feel that the Indian organizations are for the most part untrustworthy?

## **II. CONCLUSION AND SUGGESTIONS**

India has always been borrowing management styles and systems from foreign lands, instead of developing her own management styles in consonance with her own cultural ethos; and drawing from her rich heritage and tradition as well as her ancient value-based culture. In Indian philosophy customers are considered as God himself. Serving the customer is equated with serving God. We the individuals are the creator of the nation and at the same time destroyer of the same. Therefore, to change the society first we should change ourselves. Business Organization is established by the People, for the People, of the People. But this is not the situation in practical. As Mahatma Gandhi has rightfully said, - "we are not doing the customer a favour by serving him, rather the customer is doing us a favour by giving us opportunity to serve him". In all cases the individuals stay at the forefront. If the people as employee of the organization want to do some welfare of the society, he has to set his mind influenced by the Code of Ethics. For ethical codes to be effective, provisions must be made for their enforcement. Unethical managers should be held responsible for their actions. This means that privileges and benefits should be withdrawn and sections should be applied. Although the enforcement of ethical codes may not be easy, the mere existence of such codes can increase ethical behavior by clarifying expectations. Effective code enforcement requires consistent ethical behavior and support from top management.

From the above discussion it can be suggested that:

- Professional bodies should make some initiatives in this regard to ensure disclosure of ethical information to the community at large.
- Step taken towards the social responsibility should be standard.
- Decisions taken by the organization's authority should be evaluated ethically and for this purpose an expert should be appointed.
- Organization should focus not on the results rather than on the process of achieving that result.
- Everyone in the organization should participate in the formulation of mission statements.
- Rethink Recheck and Reapply process should be adopted for any unethical decision.
- Each and every modern business organization should have their own Code of Ethics

The Indian tradition and heritage, its culture and philosophy, its ethos and values is like an ocean. If we can apply even a few drop of water from the ocean to the management of the modern organization, we will be able to do great service, not only for ourselves, or for organizations, but also for our future generations.

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