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BUSINESS ETHICS & SOCIAL RESPONSIBILITY



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Abstract:-MEANING OF THE TERM ETHICS:

In recent years cases concerning conflicts of interests, business scandals, and stock manipulation by members of corporate boards, kickback payments and securities scam have damaged the reputation of business. Such reports impose questions regarding code of ethics of many managers and of organization, in general. The term ethics refers to a code of conduct that guides an individual while dealing with others. It relates to the social rules and cardinal values that motivate people to be honest in dealing with others. Such ethical rules are determined largely by customs, traditions and prevailing socio-economic environment. Certain ethical values such as honesty and fairness are universal and stable over centuries. Such values are applicable to all aspects of life including business.

Keywords:environment ,socio-economic , human behavior , Business Ethics .

INTRODUCTION

Ethics directs human behavior and also differentiates between good and bad, right and wrong between fair and unfair human behavior or actions. It creates decency and discipline in the behavior of individuals and also in the society. The term “Ethics” is derived from the Greek work “ethos” which refers to character. According to Websters dictionary, “ethical” means conforming to professional standard of conduct. Ethical action means an action which is socially and morally good. Such actions are fair and not harmful to others. According to Hurlty, ethics is a system of moral values. It is that branch of philosophy which deals with values relating to human conduct. Ethics relates to value judgments, actions and conduct of individuals in their relationship with others. Ethics is concerned with moral judgments about what is right and what is wrong. Umberto Eco brilliantly defines ethics as “What we ought to do; what we ought not to do; and what we must not to do at any cost”. Ethics is applicable to our economic, social, political and religious activities. The study of business ethics is essential in these days when the importance of ethical values is fast declining in India. Ethics (moral values) is the conspicuous causality in the emerging business scenario in which businessmen are in hurry to expand their business and earn more profits by all means- fair or foul. Society expects businessmen to act ethically. Business ethics refers to the system of moral principles applied to business activities. It deals with morality in the business. Business activities should be conducted according to certain self – recognized moral standards. Business ethics refers to a code of conduct which businessmen are expected to follow while dealing with others and also fellow businessmen. The coverage of business ethics is very wide as it deals with norms relating to customers, shareholders, employees, dealers, Government and competitors. These are, in fact, the different areas of

business ethics. Business ethics suggests that dealing with all social groups should be honest and fair. In the case of customers, businessmen should avoid unfair trade practices. In the case of shareholders, correct information about financial position, current status and future prospects of the company should be given through company reports. In the case of employees, justice should be done to them as regards wages, working conditions and facilities. Businessmen should make distinction between ethical and unethical practices. Every professional activity has its own ethical stands i.e. code of rules of conduct and individuals conducting that activity are expected to follow such ethical standards honestly. In this sense, medical practitioners, lawyers, engineers, teachers, chartered accountants etc. have ethical standards and concerned professionals are expected to follow them unscrupulously. The same is the case with businessmen and business enterprises.

The most important professional ethics is expressed by the Hippocratic Oath of the Greek physician; premium non nocere (“Not knowingly to harm”). This dictum suggests that a professional should evaluate his decisions and ensure that his actions will not produce harmful effects on others. Business ethics suggests certain golden rules which are fair to all and should be followed by businessmen. Business ethics suggest the manner in which business should be conducted and the manner in which it should not be conducted. Business ethics is a part of social responsibility which the businessmen have to honour in practice. Some people treat business ethics as from the legal point of view. “If it is legal, it is ethical too” is their approach. This is inadequate and even dangerous over-simplification of the concept of business ethics. Such attitude is not likely to do justice to consumers and other social groups. A business activity may not be legally objectionable but the same may be morally wrong. For example, supplying inadequate or

confusing information in the advertisement may be legally permitted but such advertisement is unethical. Thus, ethics need not be treated as a purely legal concept. It should be treated as moral as well as social concept.

“GOOD ETHICS IS GOOD BUSINESS”

This quotation / slogan suggest the importance of ethics in business. It provides protection, justice and fair treatment to all social groups. Good business ethics stands for conducting business in a manner which is fair and just to one's consumers, employees and investors. Business must put combined interests of the society above personal gain or exploitation of employees and consumers. A business that behaves ethically motivates others to behave ethically towards it. Ethical behavior is a kind of insurance against retaliatory acts. Business ethics is important to business community, consumers and the society at large. The most common belief that “good ethics is good business” is true. Businessmen have economic power which they can use for making the life of people happy or miserable happy. This is good business and good ethics. Businessmen may earn quick profits through unethical practices. Along with this, they may also invite consumer displeasure, government control and non-co-operation from the employees. These factors certainly harm the future prospects of business. Business will not get moral and social support when justice is not done to different in the long term. The same rule is applicable to business. Businessmen should not be short sighted but should have vision and foresight. They should consider what is good to them and also to the society in the long run.

The slogan “Good ethics is good business” has special relevance in India as unethical business practices are used extensively in India. Moreover, ethical business is useful to businessmen and also to the society. Businessmen should act as friends and well wishers of consumers. This is possible when they avoid the exploitation of different social groups but offer protection and support to them. It is rather unfortunate that in today's world, moral and ethical scruples fall prey to neglect and finally decay. It is always desirable to strike a balance between economic and social performance of business unit. Business ethics facilitates such balance. Businessmen should decide what is good and what is socially undesirable and act accordingly. In this regard, reference may be made to another slogan which again indicates the importance of ethics in business. This slogan is : “No Ethics, No Business”. A business enterprise may not be able to conduct business over a long period if it fails to honour ethical values. There are some principals of business ethics. Businessmen are expected to honour them honestly and on their own. Their long term survival and growth depend on their support to ethical values. They will be forced to stop their business if they failed to honour business ethics. This means unethical business has no chance of survival over a long period. In this sense, the slogan “No Ethics, No Business” is true and acts as a guideline to businessmen.

POSITION OF BUSINESS ETHICS IN INDIA

(1) Limited attention to business ethics: The concept of business ethics is universally recognized. It is really applicable to Indian business. In India, the principals of

business ethics were incorporated in our ancient culture. However, at present, they are not given much importance. We have a long history of unethical trade practices followed by businessmen even at present.

(2)Unethical practices are used extensively: In India, the business community in general has failed to understand the importance of customers in business. Businessmen use various unethical practices for exploiting consumers, employees, shareholders and others connected with the business directly or indirectly. This suggest that businessmen, in general, are not favorable to ethical business. They are interested in profiteering at any cost.

(3)Businessmen are severely criticised due to their unethical practices: Businessmen give too much importance to the desire to maximum profit even at the cost of consumers. In India, businessmen have to face severe public criticism and govt. controls due to their unethical practices. Businessmen have been accused of scandals, bribery, tax evasion, illegal payments to politicians and environmental pollution. Businessmen have limited respect in the society. It is up to the businessmen to improve their social image by honouring business ethics.

(4)Businessmen take undue interest in socially undesirable activities: Indian businessmen are sometimes engaged in morally and socially undesirable activities. We have mass scale corruption in the country. Businessmen are partly responsible for using corrupt practices for getting their work done through politicians and bureaucrats. Tax evasion, bribing government servants, links with criminals and other anti-social elements and donations to political parties/election funds with unfair motives are some more undesirable activities in which businessmen are involved.

(5)Social conscious and progressive businessmen support ethical business: Many of our businessmen are lured by fast buck culture, i.e. to earn as much money and as fast as possible. However, there are some cultured businessmen who respect and follow business ethics with honesty. Tatas, Godrej, L&T are some companies which give protection to consumers, liberal wages and welfare facilities to employees, attractive dividend to shareholders, positive contribution to pollution control, ecological balance and liberal spending on community service. Some may not be able to follow business ethics due to reason beyond their control. A businessman, for example, has to bribe someone in order to get the work done quickly even when he is not prepared to give such bribe. His business may suffer if the matter is delayed due to nonpayment of bribe.

(6) Business environment in India is not favorable for business ethics: The importance of business ethics is now well accepted by the professional management in India. However, in general, the business environment in India is not favorable for business ethics. The business community shows limited initiative in the introduction of ethical norms in business activities. Even the role of trade association and chambers of commerce. Even guiding businessmen is insignificant.

(7)Indian business must be made ethical: Indian business needs to be made ethical. Legislations will not be useful for achieving this objective. Education, persuasion, guidance etc. are the methods useful for the enforcement of business

ethics. The best policy is to encourage businessmen to frame their own code of conduct and adhere to the same on voluntary basis. What is more important is the self-realization on the part of every businessmen. A businessmen in general should accept the basic principal of “good ethics is good business.”

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY:

Social responsibility in business ethics: Social responsibility is a dynamic and universally accepted aspect of business management. Business and society are interrelated and inter-dependent. Society depends on business for meeting its need and for welfare. Business also depends on society for its existence and growth. Business has to look after its economic interest which facilitates its survival, stability and growth. Along with this, it has to give satisfaction to different social welfare Schemes. This constitutes social responsibility & obligation of business. It is a social aspect of business management. Society is the hone of business. Business depends on society for the needed inputs for production activities. Dependence of business on society is complete and business can exist and operate as long as society wants. Being so much dependent, business has definite responsibility towards society popularly called “Social Responsibility of Business”. Business is for the benefit of the society. Naturally, business must accept certain obligations towards different social groups such as customers, shareholders and employees. This is precisely the social responsibility of business. Businessmen need co-operation from the society and in return they expected to fulfill certain social obligations on their own. Businessmen/Business Enterprises should not ignore the social realities and social dynamics Modern business is a part of pluralistic society which is a combination of different groups with divergent interests. Business has to shoulder certain obligations to these groups. This constitutes social responsibility of business.

In short, social responsibility of business means duties and obligation of business towards different social groups i.e. shareholders, consumers, employees, local community and the society at large. In addition, business has to accept certain obligations in relation to sports, education and cultural activities. Even obligations in relation to female, children and handicapped workers need to be honored. Business enterprises have to honor all such responsibilities honestly. Such positive approach is beneficial to the society and also to the business for its growth, image building and prosperity. The social responsibility concept is applicable to all business enterprises irrespective of their nature and size.

SOCIAL RESPONSIBILITY IN INDIA:

1) Neglected area of business management : In India, the concept of social responsibility was rather a neglected area of business management for a long period due to the domination of traditional management thought. It is true that in the olden days, businessmen did provide assistance to local people during famines and natural calamities. However, the concept of social responsibility as we understand today was absent.

2) Profit-main motive : The traditional management was for profit maximization and neglected responsibilities towards different social groups. Even at present, unfair trade practice are used for profit maximization.

3) Widespread exploitation : The exploitation of consumers has a long history in India. The same is the case with local community and employees. Before independence, Mahatma Gandhi suggested the concept of “Trusteeship.” According to Gandhiji, the rich businessman should recognize that he is the trustee for all the wealth which he has collected from the members of the society. He has to strike a balance between profit and social good. Unfortunately, the Indian business community failed to give much attention to this idea. In brief, practically all social gropes were neglected by Indian business for long.

4) Gradual acceptance : Fortunately, the concept of social responsibility gained widespread acceptance at the business level after 1960. Indian businessmen, in general, now accept certain responsibilities to different social groups and make some positive contribution in this regard. Many companies give details of their social performance in the annual reports.

5) Factors responsible for change of attitude : The current change in the attitude of businessmen is the result of many factors and forces such as growth of trade unions, consumerism, awareness among the masses as regards pollution, ecological imbalance, business malpractices and consumer protection legislations, in recent years, the CGSI and the CFBP are playing constructive role in making Indian business community conscious as regards social responsibilities and social obligations.

Late J. R. D. Tata and other leading Indian businessmen including G.D.Biral and jamnalal Bajaj have accepted the concept of social responsibilities of business since long. Shri. J. R. D. Tata was honored with country's top civilian award “Bharat Ratna”. It is an appreciation of unique qualities of shri. J. R. D. Tata which includes integrity, social responsibilities of business since long. Shri. J. R. D. Tata was honored with country's top civilian award “Bharat Ratna”. It is an appreciation of unique qualities of shri. J. R. D. Tata which includes integrity, social responsibilities and dedication to nation-building. According to late J. R. D. Tata, “The most significant contribution organized industry can make is by identifying itself with the life and the problems of the people of the community to which it belongs, and by applying its resources, skills and talents to serve and help them.”

6) Recognition of social responsibility : it is gratifying to note that a number of leading companies in India have been showing a recognition of the concept of social responsibility. Business opinion in India is moving towards a gradual acceptance of social responsibility. The Indian business community has been instrumental in setting up hundreds of institutions of public service such as schools, colleges, research institutes, libraries, hospitals, cultural institutions, places for religious purposes, playgrounds, gardens and so on. Some enterprises are providing health and medical facilities to the people in the rural areas.

7) Support from Government : The government policies (fiscal, industrial etc.) are favorable to the discharge of social responsibility by business sector. Government provides

monetary incentives as for encouraging businessmen to undertake various community service programmers. The industrial policy states that nothing would make government happier than to see an increasing sense of social responsibility in industry which will make it possible for government to concentrate, more on measures to help industry rather than to control it.

8) Tax incentives : Government provides tax incentives to businessmen for undertakings rural development programmers. Donations to certain research, social, educational and other purposes are given tax relief. This suggests that government wants businessmen to accept social responsibility concept in a voluntary manner but participate effectively in this area of business management. Government policy is to encourage business units to attend to social responsibilities liberally.

9) RECENT EXAMPLES OF SOCIAL RESPONSIBILITY AND BUSINESS ETHICS :

The following examples indicate how Indian companies discharge their social responsibilities in different areas.

1) BHEL has contributed to the development of the quality of life in rural areas, health care, family welfare and adult education.

2) Brook Bond Ltd. Has taken interest in animal welfare, providing veterinary services and improvements in animal breeding.

3) Escorts Ltd. Has worked for farm mechanization, agricultural development, health care etc.

4) SAIL contributes to the sectors like agriculture, industry, education, health care, dairy, poultry, fisheries and drinking water supply.

5) Asian Paints funded a large-scale community development project to enable farmers to use local resources effectively.

6) Colgate Palmolive did pioneer in discharging social responsibility. It is making substantial contribution in areas such as community development, social welfare, tribal area development and rural industrialization.

7) TISCO has been a pioneer in discharging social responsibility. It is making substantial contribution in areas such as community development, social welfare, tribal area development and rural industrialization.

At present TISCO's community development programme covers 3,00,000 people and Tata Steel spends more than Rs. 4 crore year on this programme. Nearly 20 companies of Tata Group collectively spend more than Rs. 10 to 12 crore on social welfare community programme.

8) Coca-Cola company continues to be a leading supporter of major sporting events all over the world on local, national, regional and global levels, it acted as the official soft drink/beverage for "The World Cup, 1996"

9) The Finolex Industries Ltd, Pune started the Hope Foundation in 1979 for the detection and treatment of cancer.

10) In the India Economic Summit organized jointly by CII (Confederation of Indian Industry) Vice-President Mr. Sanjeev Goenka announced that CII's 4,000 members and 300 foreign companies participating in the annual meeting will take charge of at least one primary school and one health

care center to supplement the government's efforts in the social sector.

11) In January, 2001 Gujarat State (Particularly Kutch area) suffered enormous loss of human life and property due to severe earthquake. Business enterprises readily and quickly offered financial and humanitarian assistance to people affected by earthquake. Contributions were made to relief funds, villages were adopted, school buildings and residential houses were constructed and medical aid was offered by businessmen and business enterprises.

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