Business Ethics in the Indian Context

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ABSTRACT

Business Ethics constitutes a vital dimension of corporate culture, guiding individuals, firms, and business enterprises. The importance of business ethics emphasised through trust-building, equitable competition, integrity, legality, corporate governance, and personal moral development, are highly important and relevant in fostering effective leadership and ethical conduct in the organizations. The primary objective of any business firm listed in the stock markets is wealth maximisation apart from profit maximisation and hence it is invariable that stock appreciation, profitability and solvency of the company are expected only with ethical standards. In the present article, the researcher tries to discuss the components of ethical practices that exemplify the real-world impact of business ethics. The article also delves into the multidisciplinary realm of business ethics, exploring its meaning, evolution, importance, components, and some select IT companies like Infosys and Wipro which has been good examples of profit and wealth, maximisation which is inevitable without corporate ethics.

INTRODUCTION

The importance of Business Ethics is highly important and relevant in fostering effective leadership and ethical conduct in the organizations. It is of paramount significance since it fosters trust, accountability, and equitable competition for organizations. Business ethics leads to economic development of a nation promoting a just society, with all economic enterprises progressing efficiently and effectively.

Customers, shareholders, and stake holders are always devoted to ethical companies, since they understand that transparency in operations, fair treatment of all stakeholders, honesty in communication, accountability for actions, are essential. It serves as a reminder that commerce could coexist only with morality and respect for all.

As companies worldwide embraced these principles, they contributed to a more responsible, equitable, and sustainable global business landscape. The journey was long, but the destination was one where profit and ethics walked hand in hand, promising a brighter and more ethical future for businesses globally.

The transition from profit-centric entities to a more holistic, ethical corporate culture slowly started gaining recognition and companies worldwide accepted that their success was not merely financial but also measured by their societal and environmental impact.

In today's business world the importance of business ethics is higher than ever. India, a country renowned for its culture of respect and reverence, this concept was already well-established. India's ancient traditions emphasized moral values and the welfare of all beings, and so these principles naturally extended into business practices. Indian companies, drawing from their cultural heritage too, played a significant role in integrating ethical practices. They were known for their commitment to social responsibility, sustainability, and employee welfare.

However, after the Companies Act 2013, Indian companies have begun to realise its importance on corporate ethos to a great extent. Examples of Wipro and Tata Steel being recognised as one of the world's most ethical companies in 2020 by the Ethisphere Institute (a global leader in defining and advancing the standards of ethical business practices) indicates the significance of business ethics and the impact they have on society. In the recent times the advent of Artificial Intelligence, blockchain, and social media has not only opened new horizons for Indian businesses but has also introduced novel ethical challenges specific to the Indian context.

REVIEW OF LITERATURE

Dr. Kasturi Bora & Ms. Upasana Bora (2020): This article explores the application of the code of conduct in modern businesses, focusing on how it accelerates these businesses. It emphasizes the role of business ethics in the survival of contemporary companies, helping them achieve their goals efficiently. The study also suggests that established companies can enhance their practices, and new businesses can use these findings to improve their performance.

Vivek Kumar & Arpita Srivastava (2018) employs co-word network analysis to trace the evolution of business ethics research from 1991 to 2018. It identifies major themes and their changes over time, highlighting a maturation of the discipline, a shift in research focus from ethical decision-making to leadership and ethics, and significant growth in corporate social responsibility studies. The study also points out areas that need more attention, such as ethical issues in business-to-business contexts.

B. Nagarjuna, V. Ambika, U.R. Rakshith, Gitanjali Singh, E. Devashree and A. Sulthan Mohideen (2022) delves into ethics as a philosophical practice and its relevance in everyday life. It explores the interdependence of ethics, economics, and law, particularly in the context of pharmaceutical companies in India. The research findings offer insights for policymakers and practitioners to address immediate issues and prioritize strategies to gain a competitive edge, given the crucial role of Research & Development in the pharmaceutical industry.

Anupuma Mahajan & Anukrit Mahajan (2016) assesses the incidence and role of codes of ethics in Indian business firms. It also examines managerial perspectives on the significance of ethics in ethical learning, its influence on employees' thinking and behaviour, and the factors contributing to code compliance and non-compliance. The study provides managerial implications and directions for future research in the field of business ethics.

Balakrishnan Muniapan and M. Rajantheran (2011) explored the dimension of business ethics from ancient Indian times and its contemporary relevance for business leadership. Identifying several key ethical principles from the Thirukkural, such as compassion, honesty, and justice, and discuss how these principles can be applied to contemporary business challenges.

RESEARCH OBJECTIVES

1. To analyse the meaning and observe the evolution of business ethics.
2. To examine the components of business ethics and its importance in organizations, society, and individuals
3. To observe the real-world example of Indian companies with the reference to select IT companies.

RESEARCH METHODOLOGY

The research is basically in Descriptive in nature and is mainly collected through secondary data from the various websites, and journals scholarly articles, etc.

DISCUSSION
MEANING OF BUSINESS ETHICS

Business Ethics is a crucial dimension of the modern corporate culture guiding individuals, firms, and business enterprises. It includes a set of principles and values that guide organizational and individual goals, behaviour, and actions within the corporate world through trust-building, equitable competition, integrity, legality, corporate governance, and personal moral development. The concept in fact exceeds the adherence to statutory and regulatory requirements, prompting enterprises to engage in actions characterized by moral rectitude, openness, and a commitment to societal well-being.

At its core, business ethics pivots around the question of "What is right and wrong in the world of business?" It delves into the ethical dilemmas and decisions that arise while operating a business, and how these decisions impact not only the organization itself but also the broader society and the environment in which it operates.

Fairness, honesty, and responsibility, transparency, accountability, and sustainability are the cornerstones of business ethics. It is rooted in the moral and ethical foundation of business, aiming to maintain the equilibrium between economic objectives and the moral responsibilities that businesses hold toward society, the environment, and their stakeholders. In an era marked by increasing scrutiny, accountability, and social awareness, business ethics is more crucial than ever. Companies are expected not only to yield returns but also to do so while preserving ethical standards.

EVOLUTION OF BUSINESS ETHICS

As the world evolved and businesses expanded, the relentless quest for profit sometimes led to unethical conduct. To counter this, "Business Ethics" emerged as a set of guiding principles,

balancing the pursuit of profit. Thus, as a concept, business ethics has its origins in the pursuit of ethical principles within the realm of business.

The evolution of business ethics is vitally tied to the broader history of commerce and societal values. The evolution of business ethics through various historical eras reflects its adaptability to the changing economic and societal dynamics.

This evolution can be traced through distinct eras and transformative milestones, reflecting shifts in cultural, economic, and regulatory paradigms.

Pre-Industrial Era (before the 18th century): In pre-industrial societies, business transactions were often characterized by personal relationships, and ethical considerations were closely intertwined with community values and norms.

Industrial Revolution (mid-18th – 19th century): The emergence of large-scale industrialization brought forth complex ethical challenges, particularly regarding labour practices, product safety, and environmental impact. The need for formalized ethical guidelines became apparent.

20th Century: Major events, such as the Great Depression and the rise of multinational corporations, prompted a growing recognition of the need for ethical regulations. Codes of conduct and corporate social responsibility (CSR) initiatives gained prominence.

21st Century: Business ethics has become a focal point with globalization, environmental concerns, and social justice issues. Concepts like sustainability, fair trade, and corporate governance have gained increasing importance.

This evolution underscores the dynamic nature of business ethics, wherein the principles and standards governing corporate behaviour adapt and expand in response to the changing landscape of commerce and society.

Figure 1: Evolution of Business Ethics
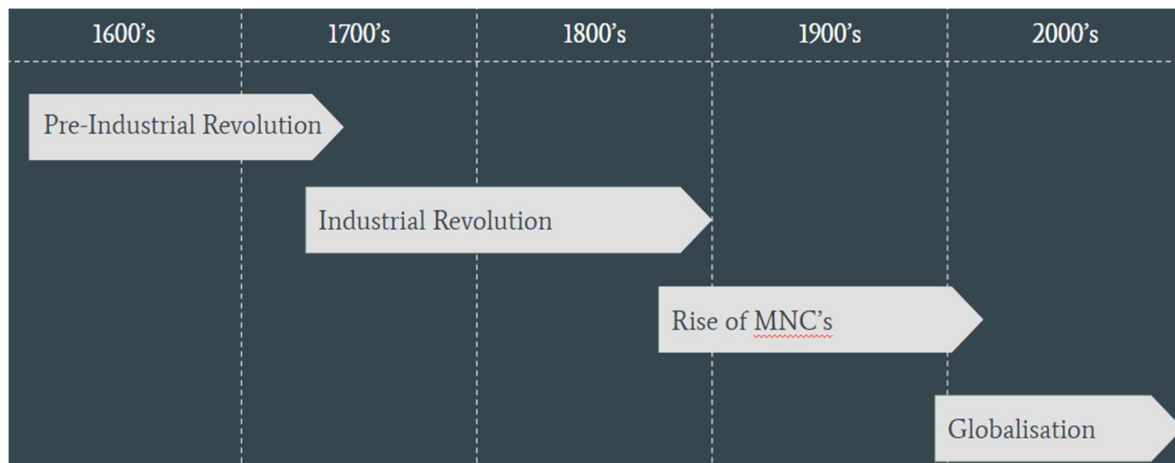
Source: The History of Business Ethics – Richard T. De George (2015)

COMPONENTS OF BUSINESS ETHICS.

Business Ethics confirms to the needs of the organisation's profits and a human's personal attitude, proving organisational efficiency, goodwill, and profits. Basically, there are three components of business ethics. They are:

Human values, which includes material benefits, employee welfare and care and the creation of workplaces. When it comes to customers, good work ethics means fair advertising and value for money, as well as fair treatment of investors, shareholders, and partners.

– Macro level (the field of company's activity) – to comply with market competition and absence of discriminating against any of the participants of the labour market. –

World level – adherence to the ethics in relations with customers, suppliers, personnel and so on. The following image clearly explains the various components of business ethics.

Figure 2: Components of Business Ethics
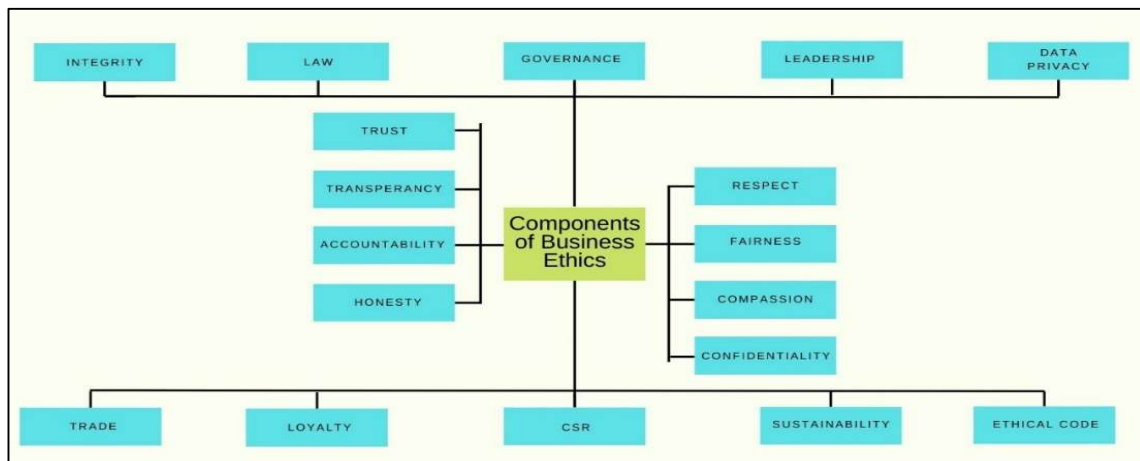
Source: Corporate Finance Institute

1. **Integrity**: Integrity is the adherence to moral and ethical principles in all aspects of business conduct. It involves honesty, truthfulness, and consistency in actions and decisions and is foundational to trust-building, both within an organization and with external stakeholders. It ensures that businesses maintain their credibility and reputation. It fosters a culture of honesty and accountability, reducing the risk of ethical violations and legal issues. Compliance with legal requirements and regulations is integral to business ethics. Adherence to the law prevents legal consequences and ensures that businesses fulfil their societal responsibilities. Legal compliance averts potential penalties, lawsuits, and damage to reputation to companies.

2. **Governance**: Governance pertains to the establishment and implementation of ethical standards, policies, and procedures to guide business operations. Effective governance helps in ensuring that business practices are aligned with ethical values and legal requirements. Strong governance practices mitigate the risk of misconduct, improve transparency, and enhance decision-making of leaders in a business enterprise.

3. **Leadership**: Leadership entails setting ethical examples, instilling values, and promoting ethical behaviour among employees. Ethical leadership sets the tone for an organization's culture and influences the ethical conduct of its members. and encourages a culture of ethics, leading to increased employee morale and trust.

4. **Trustworthiness**: Trustworthiness involves being reliable and demonstrating a commitment to ethical behaviour over time and is vital for building and maintaining trust with stakeholders. A reputation for trustworthiness enhances relationships with customers, employees, and partners.

5. **Transparency**: Transparency involves openness in decision-making and operations, making information accessible to stakeholders. It builds trust, enhances credibility, and promotes ethical behaviour and fosters trust and stakeholder confidence.

6. **Accountability**: Accountability entails taking responsibility for one's actions and decisions and ensures that individuals and organizations answer for their behaviour. A culture of accountability reduces the likelihood of ethical misconduct in business enterprises.

7. **Honesty**: Honesty demands transparent and truthful communication in all dealings and transactions, prioritizing sincerity, and integrity. It is essential for building trust and maintaining ethical conduct within an organization. Upholding honesty fosters a culture of transparency and ethical behaviour, ultimately enhancing the organization's reputation and credibility.

8. **Fairness**: Fairness necessitates equitable treatment of all stakeholders, irrespective of factors such as gender, race, or socioeconomic status. Fairness fosters a just and inclusive organizational culture and minimizes discrimination and promotes diversity and inclusion.

9. **Respect**: Respect involves treating all stakeholders with dignity and consideration, irrespective of differences. Respecting diversity and individual rights foster an inclusive and harmonious work environment and a respectful workplace enhances employee satisfaction and reduces conflicts.

10. **Data Privacy**: This pertains to safeguarding sensitive information and ensuring its ethical use. Protecting data privacy is essential for maintaining trust and preventing data breaches and compliance of it mitigates the risk of data breaches and associated legal issues.

11. **Compassion**: Compassion involves showing empathy and care for the well-being of employees, customers, and the community. Compassion contributes to a supportive and empathetic workplace culture and enhances employee well-being, loyalty, and community relations.

12. **Confidentiality**: Confidentiality mandates the protection of sensitive business information from unauthorized disclosure. Safeguarding confidential data is crucial to maintain trust and prevent leaks since breaches of confidentiality can lead to legal consequences and harm reputation.

13. **Trade**: Ethical trade practices encompass fair competition, avoiding fraud, and respecting the rights of trading partners. Ethical trade practices contribute to equitable market dynamics and adhering to ethical trade principles fosters trust and long-term relationships with partners.

14. **Loyalty**: Employee loyalty contributes to organizational stability and productivity. Loyal employees are more likely to be committed to the organization's success and loyalty reduces turnover rates and increases productivity.

15. **Corporate Social Responsibility (CSR)**: CSR demonstrates a commitment to societal well-being and sustainability, beyond profit generation and enhances an organization's reputation and fosters positive relationships with the community. Effective CSR initiatives attract socially conscious customers and partners.

16. **Sustainability**: Concerns the responsible use of resources to ensure long-term environmental and economic viability. Sustainable practices reduce environmental impact and contribute to long-term business resilience and enhance efficiency, reduce operational costs, and address environmental concerns.

17. **Ethical Code**: An ethical code outlines a set of principles and standards that guide ethical behaviour within an organization. Ethical codes provide a framework for consistent ethical conduct within the organization and help employees understand and adhere to ethical standards, reducing the risk of ethical violations.

IMPORTANCE OF BUSINESS ETHICS

The primary objective of any business firm listed in the stock markets is wealth maximisation apart from profit maximisation. Although profit is an indicator of the company's health, the financial aspect should not be placed as the top priority since lust for profit can lead

to environmental disasters and deceit of workers, customers, and partners. So, every company should come up with a clear strategy of increasing its income without violating moral and human values and hence it is invariable that stock appreciation, profitability and solvency of the company are expected only with ethical standards. Numerous studies have underscored the financial advantages of ethical conduct within organizations, demonstrating that ethical businesses tend to perform better financially than their unethical counterparts.

INDIAN IT COMPANIES

Infosys Limited founded in July 1981 and headquartered in Bangalore is an Indian multinational information technology company that provides business consulting, information technology and outsourcing is an example of the Indian company's growth story which believes in business ethics. It is the first Indian firm to list on Nasdaq and the first to offer stock options to its employees. It is also successful Indian IT firm to cross $1 billion in revenue in 2004.

Table 1: Infosys - Net profits and Market Capitalisation FY 2014 to FY 2023

Year	Market Capitalisation (In Rs. Cr.)	Share Price (In Rs.)	Profits (In Rs. Cr.)
2014	188510	408.50	1751
2015	254771	552.91	2013
2016	279837	608.71	2052
2017	234805	508.91	2140
2018	247198	585.12	2486
2019	324448	736.96	14702
2020	273214	641.00	15543
2021	582880	1,368.70	18048
2022	802162	1,899.51	21235
2023	592394	1,438.21	23268

Source: Infosys Annual Reports

Figure 3: Net profit, Market Cap and Share Price of Infosys
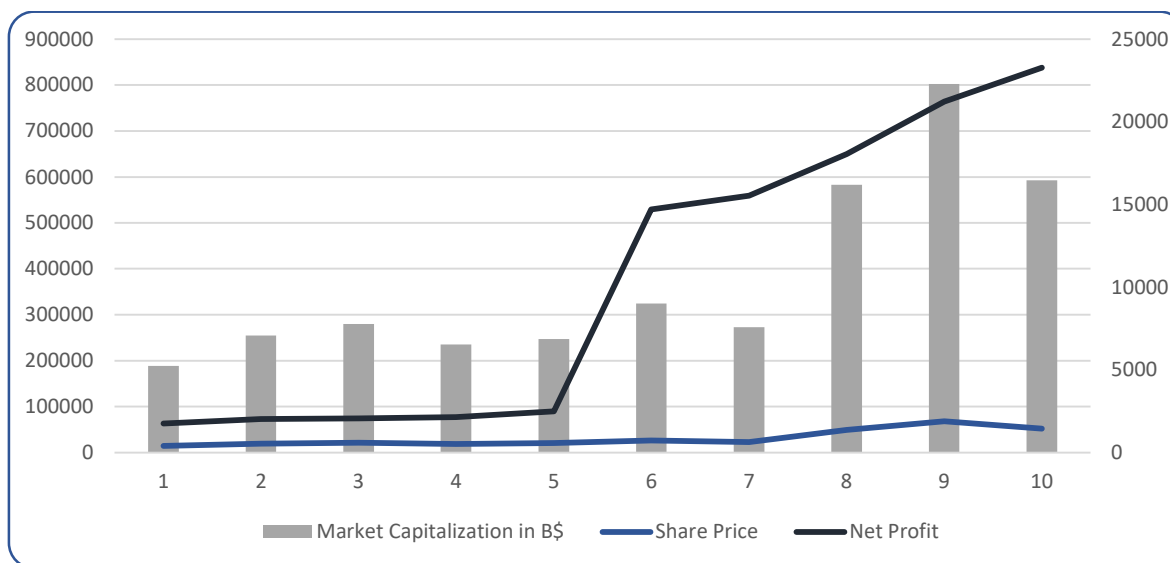
Source: Infosys Annual Reports

The second Indian company Wipro is also another example of success story of profit and wealth maximisation. Wipro was the first Indian company to explore with offshore IT services in the year 1990. Azim Premji one of India's well-known and respected business leaders inherited a cooking oil company from his father and turned it into India's 3rd largest IT company and 11th largest publicly traded company. As per an estimate Rs 10000 invested in Wipro is more than 300 crores today. The following table is of Wipro which clearly depicts the growth in financials and the share appreciation.

Table 2: Wipro - Net Profits and Market Capitalisation

Year	Market Capitalisation (In Rs. Cr.)	Share Price (In Rs.)	Profits (In Rs. Cr.)
2015	1,686.13	236.87	81931
2016	1,736.51	213.89	80990
2017	3,527.44	190.91	81617
2018	2,159.49	216.44	77228
2019	1,416.33	257.29	76140
2020	1,533.93	196.02	86800
2021	1,678.88	407.93	100600
2022	1,390.62	589.20	121350
2023	1,704.87	367.08	91750

Data Source: Wipro Annual Reports

Figure 4: Net profit, Market Cap and Share Price of Wipro
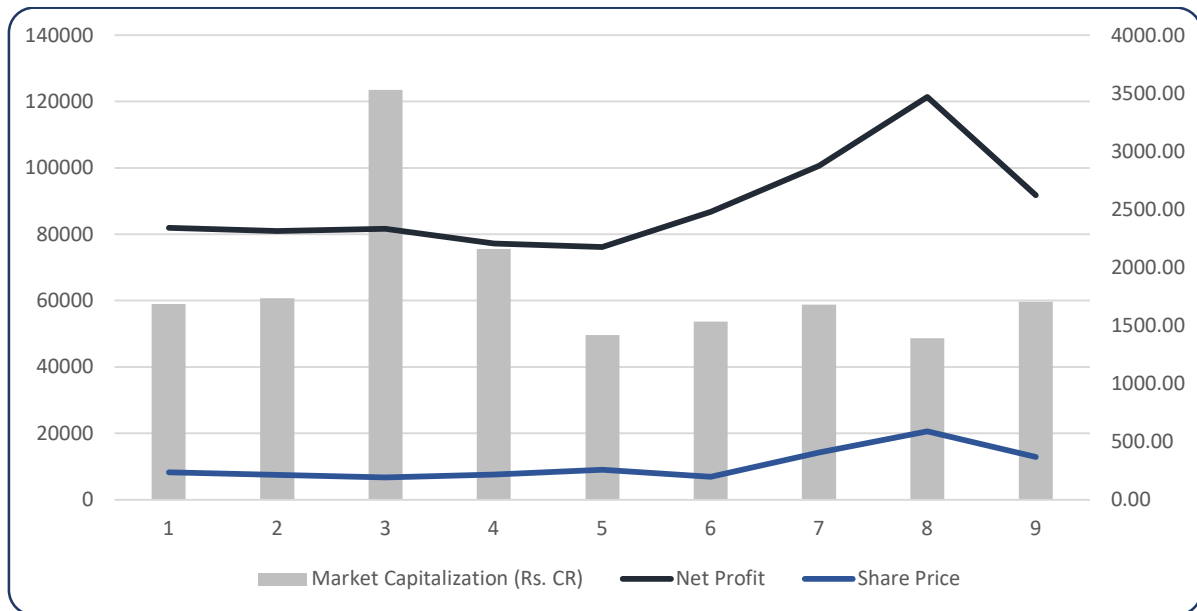
Data Source: Wipro Annual Reports

Significance of Business Ethics: The significance of business ethics extends to organizations, society, and individuals, yielding several notable advantages.

For organizations, business ethics assumes a pivotal role by building trust and credibility with stakeholders establishing trust with customers, employees, investors, suppliers, and the community. Ethical practices contribute to this trust, which is a cornerstone of organizational longevity. It as a safeguard against costly errors and controversies, helping organizations steer clear of detrimental consequences. It also helps in attracting and retaining top talent in the corporates.

For society, business ethics serves as a basis for promoting equitable and honest competition Ethical behaviour within business spheres ensures that consumers have access to high-quality products and services at competitive prices, fostering fair competition.

For consumers, business ethics acts as a preventive mechanism, thwarting businesses from engaging in unjust or deceptive practices that could potentially harm consumers.

For society, ethics helps in fostering a just and equitable society where individuals are treated with fairness and respect.

For individuals, business ethics cultivates a strong moral within the workers and employees, within the workplace and not only benefits organizations but also assists individuals in developing a robust moral compass, which serves as a guide across various life domains.

INDIAN COMPANIES SUFFERED DUE TO LAPSES IN ETHICS

The following are some of the examples of Indian companies that have suffered due to ethical lapse. The case studies of companies that have either thrived or suffered due to ethical adherence or lapses emphasize the tangible impact of business ethics on corporate outcomes.

Satyam Computer Services, one of India's largest IT companies, was found to have engaged in massive accounting fraud in 2009. The company's founder and chairman, Ramalinga Raju, confessed to inflating the company's profits and assets by billions of dollars. The scandal led to a loss of investor confidence, a decline in the company's stock price, and the imprisonment of Raju and other executives.

Impact on business and stakeholders

1. Satyam's stock price fell by over 90% in the wake of the scandal.
2. The company lost several major clients, including General Electric and Nestlé.
3. Thousands of Satyam employees lost their jobs.
4. The scandal damaged India's reputation as a destination for foreign investment.

Reliance Industries, India's largest petrochemicals company, has been accused of causing environmental pollution at its refineries and other facilities. The company has been fined by the Indian government on multiple occasions for violating environmental regulations.

The impact on business and stakeholders was:

1. Reliance Industries has faced public backlash for its environmental record.
2. The company has been forced to invest in pollution control measures, which has increased its costs.
3. The company's reputation has been damaged, which may make it more difficult to attract new customers and investors.

ICICI Bank, India's second-largest private bank, was fined by the Reserve Bank of India in 2023 for failing to prevent money laundering. The bank was found to have violated Know Your Customer (KYC) and Anti-Money Laundering (AML) norms. The impact on business and stakeholders was

1. ICICI Bank was fined Rs. 12.19 crore by the RBI.
2. The bank's reputation was damaged by the money laundering scandal.
3. ICICI Bank's stock price fell by over 5% in the wake of the scandal.

These are just a few examples of business ethics violations by Indian companies. It is important to note that not all Indian companies engage in unethical behaviour. However, these cases highlight the need for stronger corporate governance and ethical standards in Indian

businesses. In addition to the impact on the business and stakeholders mentioned above, business ethics violations can also have several other negative consequences, including:

1. Damage to the company's brand and reputation
2. Loss of customer and investor confidence
3. Legal liability and financial penalties

CONCLUSION

The modern business world is marked by the integration of advanced technologies, which demand a nuanced ethical approach to ensure responsible and socially beneficial applications. Artificial Intelligence, Blockchain, and Social Media present both opportunities and challenges, where ethical considerations are paramount. From the above it can be concluded, in today's corporate landscape, business ethics is a fundamental necessity and that the components of business ethics, including integrity, law, governance, leadership, and others, provide a structured framework for organizations. It serves as a guiding light, illuminating the path that organizations must tread to achieve success while upholding moral principles. In the end, the enduring message is clear: Business ethics is not an option but the path towards a good organisation. It is the compass that points the way toward a corporate world that not only pursues profits but also acts responsibly, ethically, and in the best interests of all stakeholders.

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