

**VIVEKANANDA COLLEGE
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NAAC ACCREDITED 'A' GRADE



Topic: INTRODUCTION

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BUSINESS ETHICS

Unit: 1: Introduction- Meaning, Scope, Types of Ethics, Features, Factors Influencing Business Ethics, Significance of Business Ethics, Arguments For and Against Business Ethics, Basics of Business Ethics, Corporate Social Responsibility and Business Ethics.

REFERENCE BOOKS:

- 1. Entrepreneurship Development and Business Ethics by Abhik Kumar Mukherjee and Shaunak Roy-Oxford University Press**
- 2. Entrepreneurship Development and Business Ethics by Dr.Buddhadeb Chandra and Dr. Bhaskar Biswas- TEE DEE Publications**

INTRODUCTION

Meaning

Ethics is a branch of social science which deals with moral principles, social values, beliefs and attitudes. It helps us to classify the good and bad. Ethics is the code of conduct. It is the study of rationalization of moral beliefs. This study of moral values, provide logical answer to differences in core values and standpoints.

Business ethics refers to the core values, principles, standards and beliefs followed by the business. Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses.

Example: A business draws factors of production from the household so the business should shoulder the responsibility of delivering quality goods and services at lowest possible price and causing least harm to the society (pollution, frauds, tax-evasion).

Scope

Ethics in Compliance- It ensures that business adheres to all the established rules, policies and laws so that any of its operations or activities does not violate the ethical standard of the company. An ethical climate in an organisation ensures that compliance with the law is fueled by a desire to abide by the laws.

Ethics in Finance- Finance should be managed efficiently as it is a crucial part of every business. The business should follow the principles of accounting for recording and reporting financial statements. The follow up of the ethical accounting practices in finance shall reduce fake re-imbursments, bribery, over-billing, insider trading etc.

Ethics in HRM HRM plays an important role in introducing and implementing ethical behavior within the organization concerning the human resource. Ethical behavior helps in improving the employer- employee relationship, employee-employee relationship, overall productivity and reduction of conflict. The issues like discrimination, biasedness, occupational safety can be dealt with proper implementation of ethics

Ethics in Marketing Ethics related to moral principles behind the operations and regulations of marketing. Implementation of ethics in marketing ensures fair marketing practices and avoid unfair means to boost up sales. Issues like black-marketing, misleading advertisements, price discrimination etc.

Ethics in Production The implementation of ethics in production process of a business ensures that the duties and responsibilities of the business with regard to production. It helps in monitoring and controlling the overall activities, attempts are made to minimize the risk and danger involved with production process, production of defective goods, wastage of raw materials, reduce the pollution caused, supply quality products at the lowest possible price.

Types of Ethics

Personal Ethics- morale guide of a person influenced by family, parents, education, friends

Social Ethics- standards governing behavior of the members of a society.

Religious Ethics- Follows the rituals, beliefs implemented by the religion

Professional Ethics- standards, rules, guidelines as set by the profession and followed by the people involved in such profession

Business Ethics- a code of conduct set by the organization determining the act or right and wrong actions.

Features

1. **Code of conduct-** it helps us to understand the right and the wrong. Business should follow it for welfare of the stakeholders and develop the actionable codes of ethical conduct among employees.
2. **Voluntary-** Business should itself follow ethics because it cannot be forced it has to be a voluntary attitude.
3. **Based on social and moral value systems-** Business is a part of the society, thus, business ethics is based on moral and social values which guide the business ethically.
4. **Requires education and guidance-** The business should give proper guidance and education before introduction and implementation of business ethics.
5. **Both science as well as art-** a set of guidelines guide ethical behaviour making it science but the implementation of ethics is an art

Factors Influencing Business Ethics

Code of ethical conduct of the organisation – The code of conduct of the business heavily guides the business ethics. A properly framed code helps the employer and employees to understand the code of conduct, rules, guidelines etc. of the business.

Government Rules and Regulations – the laws framed by the government also affect the business. A business should dutifully follow the law and the regulations framed by the government.

Environment of the business – the technological, legal, political, social environment also influences the business ethics. A business cannot sustain without the support of these environments and hence it becomes necessary to develop business ethics in such way.

Guidelines of the regulatory authority – the business should follow the rules and regulations of the authority which regulates the activity of the business like any bank should follow RBI norms.

Societal pressure – Business is a social entity so the business should follow the social ethics.

Significance of Business Ethics

- i) Helps in building stakeholder confidence.
- ii) Improved productivity
- iii) Prevent Malpractices
- iv) Helps in community development
- v) Safeguards consumer interest

Arguments For and Against Business Ethics

In favour of Business Ethics

Ensure sustainability- ethical business practice ensures sustainability of the business in the long run. The business is able to boost confidence among its investors, creditors, employees, customers and other stakeholders through ethical behavior which helps the business to sustain in the long run.

Attracts Investors – In modern business world the investors are concerned with the ethical practices of a business. An unethical business will not promise productivity and better returns rather would attract legal expenses low stock prices etc. which in no way attracts an investor.

Increases employee commitment – The employees working for the organization are more dedicated towards their work when the employer or the leader is not biased. The ethical behavior or the employer or leader or the overall organisation helps to increase the commitment of an employee towards the organization.

Against Business Ethics

Profit Objective – Many believe business is a money spinner and exists with a sole motive of earning profits and thus there exists no need to be ethical or follow a code of conduct.

Legal Obedience is enough – One of the strongest argument is that the legal obligations followed by the business is enough and there is no requirement of ethics. The belief of such people is that the business should not be illegal but can be unethical.

Basics of Business Ethics

Business ethics is a derived principle. The concepts, standards, guidelines etc. of business ethics is based on culture, society, family, education and religion. Each of these basics of business ethics play an important role in framing the business ethics. While studying business ethics some basic approaches and concepts are required to be studied which are as follows:

1. **Goodness theories:** The result of the deed matters the theory focuses on the end result.
2. **Obligations Theories:** constitutes of the following approaches:-
 - a. **Teleological Approach:** originated from a Greek word ‘telos’ which means ‘end’ or ‘goal’. This approach adheres to the theory that the end always justifies the means. The focus is on the end or goal, it is result oriented approach. The approach justifies the action if the end result is good thus it is also known as Consequentialism.
 - b. **Deontological Approach:** originated from the Greek word ‘deon’ which means ‘obligation’ or ‘duty’. This approach adheres to the theory that the end is not justified by the means. The theory proposes that everyone should be equally respected. it is also known as non-consequentialism or duty-based ethics.
 - c. **Moral Rights Approach:** The moral rights approach asserts that human beings have fundamental rights and liberties that cannot be taken away by an individual’s decision. The approach focuses on individual rights and states that the moral rights and duties of an individual should be respected by others and vice-versa.
 - d. **Justice Approach:** The justice approach holds that moral decision must be based on standards of equity, fairness and impartiality. The authority should determine the right and wrong.
 - e. **Virtue Approach:** Virtue Ethics is an approach that emphasizes an individual's character as the key element of ethical thinking, rather than rules about the acts themselves or their consequences. The approach focuses on moral character of an individual.

Corporate Social Responsibility and Business Ethics

A business house performs to earn profits, but in the modern business practice profit earning cannot be the sole purpose of business. The business should also aim at sustainability. According to economics, the households supply the factors of production to the business and

in return the business provides factor payments (payment for use of factors of production). The business should also produce and supply quality goods and services to the households for which they receive payments. But to ensure sustainability this is not enough, the business should shoulder additional responsibility for the benefit of its stakeholders. This gives rise to the concept of Corporate Social Responsibility which ensures a positive image of the corporate and helps it attain sustainability by delivering economic, social and environmental benefits to the stakeholders.

CSR is the process by which an organization thinks about and evolves its relationships with society for the common good and demonstrates its commitment by giving back to the society for the resources it used to flourish by adoption of appropriate business processes and strategies. Under the Corporate Social Responsibility the corporate must act for the women empowerment, eradicating poverty, improving health and sanitation facilities, improve the educational level of stakeholders, eradicating regional imbalance, improving sports facilities etc.

Corporate Social Responsibility involves applying the concept of sustainable development to the corporate world. In India, Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) jointly prescribe formats for such disclosure.

The Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility.
