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## Ethics, Business Ethics and Corporate Social Responsibility: Concept and a Brief Study of it's Importance in Modern Corporate World

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### Abstract

The success of modern business is apparent, but recently there is much concern in the business-and-society regarding the role of Business Ethics and Corporate Social Responsibility. Business ethics and corporate social responsibility have gained significance in recent decades. This paper attempts to explain the concept and significance of Business ethics and CSR for improvement of business and welfare of the stakeholders and consumers and the society. It can't be denied that CSR is beyond philanthropy. This paper entails the concept of Ethics and CSR and has thrown light on the aspects like responsibility, accountability and sustainability.

**Keywords:** Business Ethics; Corporate Social Responsibility, Sustainability, Scope of CSR, Significance of CSR.

### Introduction

Business firms need to practice ethics towards various stakeholders. Ethics is derived from the word "Ethos" which means character or values. It studies what is morally right and wrong or ethical or unethical. CSR (Corporate Social Responsibility) is a responsibility of the corporate where the company's action encourages a positive impact through its activities on the environment, consumers, employees, communities, shareholders, and all other members of the society. Ethics aims at the welfare of the society and stakeholders through the corporate activities. My objective in this paper is to explain the concept of Ethics, Business ethics, Corporate Social Responsibility. The three main points to be discussed here are as follows:

1. Ethics in the modern world.
2. Business Ethics.
3. Corporate Social Responsibility.

This paper entails the concept of the above three factors and its significance in the corporate world.

### **Ethics**

Ethics is the moral principles that govern a person's behaviour. It is a moral philosophy that involves systematizing, defending and recommending concepts of right or wrong conduct. It defines what is good for the society. Ethics is closely related to morality. Its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong. Merriam-Webster.com defines "Ethics is an area of study that deals with ideas about what is good and bad behaviour-a branch of philosophy dealing with what is morally right or wrong." Ethics are related to values. A value is a prescriptive belief. Thus ethical values are prescriptive belief about what is wrong and what is right. Ethics covers the following dilemmas:

1. How to live a good life?
2. Our rights and responsibility.
3. The language of right or wrong.
4. Moral decisions- what is right or wrong.

In short ethics can be used in the following ways.

1. Ethics can be used as a moral map and it can guide us through difficult situation.
2. Ethics can pinpoint a disagreement.
3. Ethics can give several answers.

According to the philosophers ethics has originated from God, Religion, Human conscience and intuition, the example of good human beings.

### **Importance of Ethics**

Ethics when practised makes sense; just having it in the books may not serve the purpose. Our society want businesses to be fair and just. Hence organizations need to abide by ethical values and carry out fair practices and competition which will be beneficial to the society and organisation.

Ethics are considered important because it satisfies basic human needs It creates a good corporate image. It unites the employees and the employer. Improving Decision Making:



**Long Term Gain.****Making the society secured.**

Ethics tries to create a sense of right and wrong in the organizations and often when the law fails, it is the ethics that may stop organizations from harming the society or environment.

**Business ethics**

Business Ethics is also known as corporate ethics. It is a form of applied ethics or professional ethics that examines ethical principals and moral or ethical problems that arise in a business environment. It applies to all aspect of business conduct and the entire business organisation it refers to the contemporary organizational standards, principles, set of values and norms that govern the actions and behaviour of an individual in the business organisation. Maintaining an ethical status is the responsibility of the manager of the business. According to the journal of Business Ethics Managing ethical behaviour is one of the most pervasive and complex problems facing business organizations today.”

In short it means that business firms should practice ethics towards the stakeholders.

- Quality goods should be provided at right prices. Unfair business practises like unethical advertisements, faulty weights and measures black marketing should be stopped.
- Employers should not be exploited. Proper wages and salaries should be given to them. They should be provided with good working conditions and welfare facilities.
- Relevant information and proper dividend should be paid to the shareholders.
- Tax should be paid on time.
- Ethical business firms should not create problem for competitors,
- They should pay the suppliers on time.
- They should repay the loans and interest to the bankers on time.
- Ethical firms should fulfil their social responsibility towards the members of the society.

**Significance of Business Ethics**

A business is a profit making organisation which produces goods and provide services. For sale, usually at a profit. (e.g., a person, an organization) “does business” with another when it exchanges a good or service for valuable consideration. Business ethics can thus be understood as the study of the ethical dimensions of productive organizations and

commercial activities. This includes ethical analyses of the production, distribution, marketing, sale, and consumption of goods and services (see also Donaldson & Walsh 2015).

Business ethics is very significant in this modern era because almost all of us are engaged in business, almost every day. Moreover, many of us spend a major portion of our lives in productive activity, on our own or as part of productive organizations. Business activity affects the environment we live in to a large extent.

Business ethics is a huge field. Philosophers from Aristotle to Rawls have defended positions on topics which can be understood as part of business ethics. At present, there are at least five journals devoted to the field (*Business Ethics Quarterly*, *Business Ethics: A European Review*, *Business & Society*, *Business & Society Review*, *Journal of Business Ethics*

It is therefore ethical for companies to make profits. But along with that they have some social responsibilities towards the stake holders. Even in the field of advertising business firms should be ethical.

Most advertising contains both an informational component and a persuasive component. Advertisements tell us something about a product, and try to persuade us to buy it. Both of these components can be subject to ethical evaluation

These good effects depend, of course, on advertisements producing true beliefs, or at least not producing false beliefs, in consumers. Writers treat this as the issue of "deception" in advertising. The issue here is not whether deceptive advertising is wrong—most believe it is (cf. Child 1994)—but what counts as deceptive advertising, and what makes it wrong. Business ethics is very significant in this modern era because almost all of us are engaged in business, almost every day. Moreover, many of us spend a major portion of our lives in productive activity, on our own or as part of productive organizations. Business activity affects the environment we live in to a large extent.

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### Corporate Social Responsibility

It is often used in the modern literature as a summary concept whereby companies integrate social and environmental concerns in their operations and in their interaction with stakeholders on a voluntary basis. According to this definition, for a company to be considered socially responsible means that its overall performance should be measured on a triple bottom line approach that is to say on a firm's combined contribution to economic prosperity, environment quality and social capital. However, there is no general agreement concerning the concept of the "corporate social responsibility", therefore, the adoption of any universally applicable definition seems to be ineffective. In fact, as already noted, at the theoretical level there are claims that either reduce business' social responsibility to activities that maximize profitability only for its shareholders, or extend responsibilities to cover the needs of the wider stakeholders of an enterprise that affect or are affected by business' operations. According to Prof. Milton Friedman (1962):

"...there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (p. 133). Professor Friedman's views appear too narrow for many observers<sup>26</sup>. They are considered as mostly to reflect the traditional views on the role of business, whereby contribution to society is assumed through the provision of employment and the creation of wealth. Any involvement in social activities is thus claimed to create opportunity costs against profitable activity.

### Scope of CSR

Scope of CSR is mandatory under section 135 of company act 2013. It includes social responsibilities towards various stakeholders such as customers, dealers, employees, suppliers, shareholders etc.

Social responsibilities towards society Protection of environment Optimum use of resources Upliftment of backward regions Helping weaker sections of the society Philanthropic activities Not supporting anti-social activities Expansion Employment



generation Support during natural disaster Avoid discrimination in the society  
 RESPONSIBILITIES TOWARDS EMPLOYEES providing job security Paying proper  
 remuneration providing healthy working condition Health and safety measures Proper  
 personnel policy Workers participation in management Handling grievances *Recognition of  
 workers union Employees welfare Carrier development.*

### **Responsibilities towards Shareholders**

Fair return of investment Expansion and diversification Proper use of shareholders  
 funds Periodic information Prompt services Fair practices on stock exchanges  
 responsibilities towards customers Quality product Fair price Honest advertising Availability  
 of goods Redressal of complain Consumer safety Avoid consumer exploitation.

RESPONSIBILITIES TOWARDS GOVERNMENT Payment of taxes Observance  
 of rules and regulation Political stability Refrain from corrupt practices Support to  
 government in social development.

### **Importance of CSR**

CSR goes beyond philanthropy and as to take into account integrity and  
 accountability for sustainable and value added development. The changed expectation of the  
 society makes business firms to be proactive in CSR activities. It enables a firm to achieve  
 triple bottom line which consist of people, planet and profit. People relates to fair and  
 beneficial practices towards the employees creating social value. Planet refers to sustainable  
 environmental practices profit is the economic value created by the organization to survive  
 and prosper. CSR activities can be an aid to recruitment and retention. It can manage the risk  
 in corporate sector it helps to maintain supplier relations. It also encourages professional and  
 personal growth of employees. On the whole, CSR improves corporate image in the minds  
 of various section of the society. Customers, employees, shareholders, and other  
 stakeholders respect and trust business firms that focus on CSR activities.

### **Conclusion**

Ethics and CSR a very useful concept for the stability and prosperity of an  
 organisation. In this paper some definitions and significance of Ethics, Business Ethics and  
 CSR has been discussed referring to the work of various authors and scholars. Business  
 Ethics and CSR should go hand in hand in corporate sectors because CSR involves  
 stakeholders with various unique demands. To fulfill those demands it becomes essential for  
 the corporate to follow business ethics. Ultimately it leads to sustainable development.  
 Sustainable development gives stability and survival to the firms. Thus it can be concluded

that CSR and Business ethics goes beyond philanthropy. If the companies ignore CSR in this modern world then they are likely to face significant business risks. Stakeholders and consumers may shun the firms that develop unethical practises. In a nutshell it can be seen that companies ignoring Ethics and CSR activities are more likely to stumble into legal troubles for mass corruption or accounting fraud scandal.

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