



REVIEW ARTICLE

STUDY OF ETHICAL PRACTICES FOLLOWED BY DIFFERENT COMPANIES (WITH SPECIAL REFERENCE TO CORPORATE SOCIAL RESPONSIBILITY)

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ABSTRACT

The range of business ethics issues is very much prevalent in today's corporate scenario. This concept is not only limited to one field but it covers many fields viz accounting & finance, sales and marketing, human resource management and so on. The various issues addressed in the above mentioned fields are business decision making and moral principles, role of moral leadership in business, types of white collar and corporate crimes etc. This paper attempts to find out the ethical practices with special reference to CSR activities followed by different renowned companies and the unethical practices which have created a great panic in the society.

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INTRODUCTION

Business Ethics' refers to the system of moral principles and rules of the conduct applied to business. It is the study of proper business policies and practices regarding issues such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. Corporate Social Responsibility (CSR) is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. India is the first country in the world to make CSR mandatory. The companies on whom the provisions of the CSR is applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013.

It is applicable to all companies where :

- Networth of INR 500 crore or more
- Turnover of 1000 crore or more
- Net profit of INR 5 crore or more

Creating goodwill in the market and to protect a company's brand and reputation is the biggest challenge in front of the companies. Today customers not only want to buy a product from company which satisfies its wants and needs but also want to have association with a brand which is reliable, free from misleading statements and this leads to the conception of

business ethics. The research is based on secondary data comprising of articles published in different Journals, business magazines and tabloids. The CSR activities followed by companies will be discussed in the first half of paper and the unethical practices which got famous recently will be discussed in the later half.

Review of Literature

Omweno Nyameyio Enock & Dr. Kundan Basavaraji (2013) compared the CSR activities of Tata Company and ITC Company in different areas. The study focuses on the reporting methods used by these companies. It is concluded that environment, education, community involvement and health care activities have been covered under as CSR by both companies. Anupam Sharma and Ravi Kiran (2012). The present study has made an attempt to understand the status, progress and initiatives made by large firms of India in context to CSR policy framing and implementation. Soheli Ghose (2012) focused on products and manufacturing processes (aerosol products with no fluorocarbons, environment friendly technologies), adopting progressive human resource management practices (promoting employee empowerment), achieving higher levels of environmental performance through recycling and pollution abatement (reducing emissions). Hurratul Maleka Taj (2011) determined the challenges associated and the benefits of the CSR along with sustainable development measures being undertaken by corporate sector. Lokaranjan Guha (2011) investigates the companies who have

achieved the milestones on ISO 9000, ISO 14000, ISO 18000, environmental trustworthiness, safety and social accountability. Ms Nidhi Khurana (2011) focuses on the reasons to analyze the strategic gap between CSR implementation and CSR effectiveness and to identify the focused sectors where sustainable actions of strategic CSR are required to create synergies in India. Richa Gautam and Anju Singh (2013) examined how India's top 500 companies view and conduct their CSR, identifies key CSR practices and maps these against Global Reporting Initiative Standards.

### Objective of study and Methodology

The study is based on following objectives:

- To study the CSR activities followed by different companies.
- To identify the various unethical practices done by the management of companies which has created a panic amongst investors.

The data is secondary in nature. The whole paper is based on descriptive arguments, analysis, case studies through understandings from various research papers, journals, newspapers, business magazines and online databases.

### Analysis of CSR activities with reference to today's corporate scenario

#### Aditya Birla Group

The vision is "actively contribute to the social and economic development of the communities". The framework of Aditya Birla CSR activities is based on pillars of Healthcare, Education, providing sustainable livelihood and village development. The group has well understood the Indian population and is rightly focusing the required fields.

#### Education

- a. Creating awareness in providing Girl education by opening 20 Kasturba Gandhi Baalika Vidyalayas.
- b. Initiated the Transformation process of more than 20 schools to Model schools in Rajasthan
- c. Supporting differently abled students in Gujarat, Karnataka and Odisha.
- d. Set up of the midday kitchen and thus providing meals to 268 school students who are financially deprived in Odisha.

#### Healthcare

- a. Introducing programs which helps in vision restoration of thousands of blind people
- b. Construction of public toilets in cities thus aiming in making India clean.
- c. Providing artificial limbs to physical disabled persons thus making them independent.
- d. Providing polio immunization to children.
- e. Installation of reverse osmosis plants in different cities thus making water drinkable.

#### Sustainable livelihood

- a. Introduced various vocational learning programs thus making people financially independent

- b. Working on women empowerment by starting Self help groups.
- c. Helping farmers in planting samplings

#### Maruti Suzuki Limited

Maruti Suzuki limited has also understood its responsibility towards society. It is fully committed by providing help in the fields of Education, Health, Improving water quality, road safety etc.

**Road Safety:** As the number of deaths due to road accidents are increasing day by day so the company is continuously working in providing road safety to people. To accomplish this mission, company has set up driving schools and has hired various traffic policemen in guru gram city.

- a. **Driving Training:** The focus is on training the drivers and to achieve quality driving training. The Company has developed a low cost driving training and entrepreneur development model in order to create a large pool of professionally trained drivers. It is also sponsoring driving programs for existing and new drivers from underprivileged and economically weaker sections of society to enhance driving skills.
- b. **Road Safety Education:** The Company is creating awareness among people by educating promoting people about traffic rules through print, audio and visual media. The Company is designing and initiating specific road safety awareness programmes for the school children, women and youth.
- c. **Hiring of Traffic Policemen:** Company has hired various traffic policemen who are working in Gurugram so as to ensure people's safety.

**Water: Company has installed various reverse osmosis plants to as to ensure clean drinking water for the people.**

- **Sanitation:** It has started various programs for treatment of solid and liquid waste and is supporting economically weaker households in construction of domestic toilets to minimize spread of infection. The Company is doing these efforts with awareness campaigns.
- **Education:** It is continuously working on improving the infrastructure of Government schools with the support of community and the government education department. It is also involved in improving the learning level and all-round development of students and youths. It is also offering scholarships to the meritorious students from weaker communities to help them pursue higher education. It is also offering scholarships to orphan children.
- **Health:** The Company is organizing health checks and is continuously monitoring the health care needs of the local community and thus providing adequate health care facilities.

#### Nestle India Limited

Nestlé is the world's largest food and beverage company. It has more than 2000 brands and is present in 191 countries around the world. Nestlé India Limited (the 'Company') is a leading Nutrition, Health and Wellness Company. Company's CSR activities include:

## Nutrition

The Company is taking care of nutrition level of school going children in partnership with NGO's. It aims to create awareness about nutrition and healthy habits, importance of food, water and personal hygiene, utilizing health services and the importance of physical activity. The Company aims to improve the nutrition, health of infants through early initiation of breastfeeding and promotion breastfeeding until 6 months of age.

## Water and Sanitation

- a. **Sanitation Projects:** Company has started many projects which aim to provide sanitation facilities for girl students in rural schools to encourage attendance. Through this initiative, the Company endeavors to facilitate and remove the major cause of dropout rate among girl students in village schools.
- b. **Clean Drinking Water Projects:** The Company aims to construct drinking water facilities in schools which lack access to drinking water by helping drill water wells and constructing storage tanks. The sourced water is stored in hygienic tanks enclosed in a specially designed facility to preserve the quality of the water.
- c. **Water conservation awareness for students:** The Company aims to create awareness among students regarding water conservation and protection of water resources to ensure the proper utilization of water. Same program is designed at farmer level also wherein they are told about the benefits of direct seeding of paddy and other methods to save water in agriculture.

## Clean environment

The Company aims to create awareness about good hygiene and food safety among street vendors help enhance the livelihood of food operators.

## Samsung

The core areas of CSR activities of Samsung are Education, providing Employment opportunities, Healthcare facilities and Sports.

## Education

- a. Samsung is the company who is trying to improve the quality of education through Smart classes. It is awarded two Golden Globe Tigers Awards for its initiatives to empower disadvantaged children and youth. The "Samsung Smart Class" initiative received the award for Excellence & Leadership in CSR under the category Support and Improving the Quality of Education, while the "Samsung Technical School" initiative was awarded for Excellence for Sustainability Leadership under the category Best Project Collaboration.
- b. Set up in collaboration with the Ministry of Micro, Small and Medium Enterprises (MSME) and Departments of Technical Education in states such as Delhi, Bihar, Rajasthan, Kerala and West Bengal, the Technical Schools enable youth to gain technical skills that will equip them to seek job opportunities in the consumer electronics manufacturing and service sector.

## Health and Medical care - Samsung Smart Healthcare

- a. Company aims to enhance hospital care through its medical equipment and technology, thus improving survival and functional outcome among patients. Samsung's installation of automated biochemistry, immunology, and hematology equipment will enable hospital departments to benefit from this rapid quality testing especially in cases of emergencies such as cardiac tests or accidents.
- b. Company regularly organizes blood donation camps to encourage employees to donate blood. Through these blood donation camps, Samsung aims to support the areas of blood and platelet donation and treatment of disorders such as sickle cell anemia, thalassemia and hemophilia that require repeated blood transfusions.

## Analysis of unethical practices done by the management of companies

**Satyam Computers:** Indian IT companies are recognized as the icons of corporate governance but the Satyam scandal in 2009, created a question on credibility of Indian IT industry. Problems related to Satyam Computer Services came to light when the company board approved a proposal on December 16, 2008 board to invest the shareholders money in acquiring two firms, Maytas Properties and Maytas Infrastructure, in which its part ownership belonged to the former Satyam chairman, Ramalinga Raju. The unethical corporate behavior of company was a blot on the country's corporate image, which made the stakeholders unhappy. The independent auditor of company - PwC was fined \$6 million by the SEC (US Securities and Exchange Commission) for not following the code of conduct and auditing standards in the performance of its duties related to the auditing of the accounts.

**United Spirits Ltd.:** was the example, which highlighted some important corporate governance issues. Investigation reported widespread irregularities with funds being diverted to Mallya-owned UB group companies and to the defunct Kingfisher Airlines. As a matter of prudence, the company had provided for a loss of Rs 1,700 crore in financial statements for the year 2014-15. It is not wrong for a company to give loan to other group companies. But the act was done clandestinely without giving any information to shareholders. It was the violation of the principles of transparency and integrity.

**Saradha Chit Fund:** One of the biggest Ponzi schemes in West Bengal which lured millions of investors to deposit money with the promise of abnormally high returns including fancy holidays etc. The chit fund eventually collapsed leading to defaults after a crackdown by SEBI and the Reserve Bank of India. The default, apart from leaving small depositors high and dry, also led to 10 media outlets owned by Saradha being forced to wind up, leaving 1000 journalists jobless. It was a big violation of investors' right.

## Conclusion

All activities under the CSR activities should be environment friendly and socially acceptable to the local people and Society. The companies Act 2013 has mandated that no company will spend less than 2% of their average net profits of three immediately preceding financial years. On the other hand if a profit making company do not pay dividend for

continuously 3 years without any reason. It will be considered as violation of CSR activity. Corporate had moved ahead to a really new level to fulfill their social responsibility which not only help the society but also to these companies to make a reputation in the society The expectations from private sector regarding CSR is very high in the future' In the present scenario companies play an important role in the growth and development of the nation. They should be encouraged and motivated to contribute more.

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