



ISBN: 978-93-85740-20-6



MS-203-1(001759)

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MS-203 (PART-I)

School of Management Studies and Commerce  
Business Ethics & Corporate Governance



**MS-203 (PART-I)**

**School of Management Studies and Commerce**  
**Business Ethics & Corporate Governance**



**Block I Business Ethics**

**Block II Values for Managers**

## Business Ethics & Corporate Governance



**Block – I**

**Block Title- Business Ethics**

**Block – II**

**Block Title- Values for Managers**

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Cover Page Image &  
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Original Author: Nick Youngson - link

to - <http://www.nyphotographic.com/>

Original Image:

<https://www.picpedia.org/chalkboard/b/business-ethics.html>

Last accessed 3/2/2021

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**ISBN** : 978-93-85740-20-6  
**Copyright** : Uttarakhand Open University  
**Edition** : 2020 (Restricted Circulation)

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**Published by** : Uttarakhand Open University, Haldwani, Nainital – 263139

**Printed at** : Saharanpur Electric Press, Bomanji Road, Saharanpur

**Printed Year** : 2023



# **Course Contents**

**Course Name: Business Ethics & Corporate Governance**

**Course Code-MS 203**

**Course Objective:** This paper aims at providing the students the understanding of ethical issues related to business and good governance necessary for long term survival of business.

## **Block I Business Ethics**

**Unit I Business Ethics: Nature and Scope**

**Unit II Ethics & Moral Standards**

**Unit III Ethics and Business System**

**Unit IV Personal Growth and Lessons from Ancient Indian Educational System**

**Unit V Indian Ethos: Need, Purpose & Relevance**

**Unit VI Holistic Approach for Managers in Decision Making**

## **Block II Values for Managers**

**Unit VII Values Impact in Business and Indian Value System-Trusteeship**

**Unit VIII Values and Teachings from Indian Scriptures -I**

**Unit IX Values and Teaching from Indian Scriptures -II**

**Unit X Trans-Cultural Human Values in Management Education**

**Unit XI Human Values**

## **Block III Corporate Governance**

**Unit XII Corporate Governance and Code of Corporate Practices**

**Unit XIII Social Responsibility of Corporate**

**Unit XIV Corporate Governance System-Main Regulations**

**Unit XV Corporate Governance and Professional Ethics**

## **Block IV Issues in Business Ethics and Corporate Governance**

**Unit XVI Ethical Issues related to Advertisements, Finance, Investment and Technology**

**Unit XVII Gandhian Approach in Management**

**Unit XVIII Balanced Global Environment**

**Unit XIX Problems Relating to Stress in Corporate Management and Protection of Stakeholders**

**Suggested Readings:**

1. S.S. Iyer - Managing for Value (New Age International Publishers, 2002)
2. Laura P Hartman Abha Chatterjee - Business Ethics (Tata McGraw Hill, 2007)
3. S.K. Bhatia - Business Ethics and Managerial Values (Deep & Deep Publications Pvt.Ltd, 2000)
4. Velasquez – Business Ethics – Concepts and Cases (Prentice Hall, 6th Ed.)
5. Reed Darryl – Corporate Governance, Economic Reforms & Development (Oxford).
6. Mathur UC – Corporate Governance & Business Ethics (Mc Millan).
7. Human Values By : Prof. A.N. Tripathi New Age International
8. Wisdom Leadership By : Prof. S.K. Chakraborty Wheeler Publication.
9. Corporate Governance 2/e, MacMallin, OUP
10. The Management and ethics Omnibus- Chakraborty, OUP
11. Values and Ethics for Organizations, Chakraborty, OUP/OIP
12. Perspectives in Business Ethics, Hartman, Chatterjee

## Index

Unit Number	Title	Page Number
<b><i>Block I Business Ethics</i></b>		
1.	<b>Unit I Business Ethics: Nature and Scope</b>	<b>1-24</b>
2.	<b>Unit II Ethics &amp; Moral Standards</b>	<b>25-47</b>
3.	<b>Unit III Ethics and Business System</b>	<b>48-62</b>
4.	<b>Unit IV Personal Growth and Lessons from Ancient Indian Educational System</b>	<b>63-80</b>
5.	<b>Unit V Indian Ethos: Need, Purpose &amp; Relevance</b>	<b>81-101</b>
6.	<b>Unit VI Holistic Approach for Managers in Decision Making</b>	<b>102-122</b>
<b><i>Block II Values for Managers</i></b>		
7.	<b>Unit VII Values Impact in Business and Indian Value System- Trusteeship</b>	<b>123-142</b>
8.	<b>Unit VIII Values and Teachings from Indian Scriptures -I</b>	<b>143-169</b>
9.	<b>Unit IX Values and Teaching from Indian Scriptures -II</b>	<b>170-201</b>
10.	<b>Unit X Trans-Cultural Human Values in Management Education</b>	<b>202-219</b>
11.	<b>Unit XI Human Values</b>	<b>220-243</b>
<b><i>Block III Corporate Governance</i></b>		
12.	<b>Unit XII Corporate Governance and Code of Corporate Practices</b>	<b>244-258</b>
13.	<b>Unit XIII Social Responsibility of Corporate</b>	<b>259-276</b>
14.	<b>Unit XIV Corporate Governance System-Main Regulations</b>	<b>277-288</b>
15.	<b>Unit XV Corporate Governance and Professional Ethics</b>	<b>289-302</b>
<b><i>Block IV Issues in Business Ethics and Corporate Governance</i></b>		
16.	<b>Unit XVI Ethical Issues related to Advertisements, Finance, Investment and Technology</b>	<b>303-323</b>
17.	<b>Unit XVII Gandhian Approach in Management</b>	<b>324-339</b>

18.	<b>Unit XVIII Balanced Global Environment</b>	<b>340-352</b>
19.	<b>Unit XIX Problems Relating to Stress in Corporate Management and Protection of Stakeholders</b>	<b>353-371</b>

# **Block I**

## **Business Ethics**

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# UNIT 1 BUSINESS ETHICS: NATURE AND SCOPE

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## 1.1 Introduction

## 1.2 Objectives

## 1.3 The Nature of Business Ethics

## 1.4 Classifying Actions

## 1.5 Scope of Business Ethics

## 1.6 A Two-Fold Objective

## 1.7 The Need for Ethics

## 1.8 Purpose of Business Ethics

## 1.9 Business Ethics and Management

## 1.10 Summary

## 1.11 Glossary

## 1.12 Reference/ Bibliography

## 1.13 Suggested Readings

## 1.14 Terminal & Model Questions

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## 1.1 INTRODUCTION

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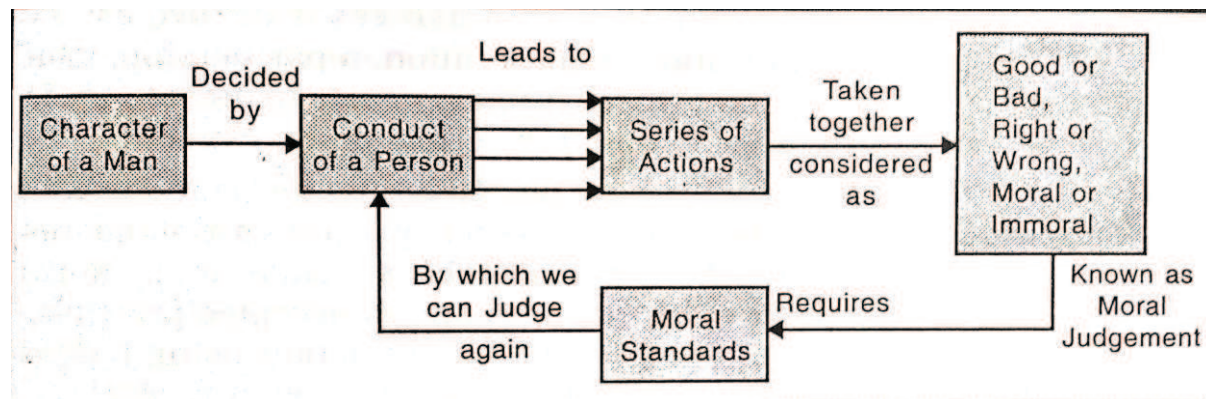
According to the dictionary, the term *ethics* has a variety of different meanings. One of the meanings given to it is: “the principles of conduct governing an individual or a group.”

**According to Andrew Crane**, “Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed.”

**According to Raymond C. Baumhart**, “The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowing fly.”

A second- and more important- meaning of *ethics* according to the dictionary is this: Ethics is “the study of morality.” Although ethics deals with morality, it is not quite the same as morality. Ethics is a kind of investigation- and includes both the activity of investigating as well as the results of that investigation- whereas morality is the subject matter that ethics investigates.





**Fig. 1.1 Meaning of Ethics**

**Source-Murthy C.S.V, Business Ethics: Text and Cases, Chapter1 Introduction to Business Ethics, Page No. 3, Edition 2018. Reprint**

Ethics are the moral principles and values that emphasize the behaviour of humans in society. Moral principles relate to what is 'right' or 'wrong'. Business ethics are, therefore, the moral principles that highlight behaviour of business organisation as an entity. It is important that the actions carried out by the business organisations and their employees are morally acceptable and is judged in the context of the society and the era in which they operate. An ethical business is one which applies a set of moral principles to all communications with the stakeholders, and also includes dealing with employees, customers, suppliers and shareholders. Being ethical means a business goes beyond merely complying with laws and regulations, but makes choices about what it is prepared to do, and what it will not. Therefore, an ethical business strategy may exclude behaviour, which is legal, but does not confirm to humility and dignity of stakeholders with the businesses ethical policy.

Setting ethical objectives is the process by which organisations apply ethical values to their targets and the actions by which they will achieve them. These ethical values should cover all the actions of the organisation from tactical to strategic.

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## 1.2 OBJECTIVES

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After going through this unit, the learner will be able to understand;

- Nature of Business Ethics.
- Scope of Business Ethics.
- Need for Ethics.
- Purpose of Business Ethics.
- Business Ethics and Management.

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## 1.3 THE NATURE OF BUSINESS ETHICS

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Ethics is knowing and doing what is right, understanding what is right. Morals and ethics emphasize on values system. The terms ethics and morals are sometimes used interchangeably, although one can make distinctions (the word ethics is from Greek, whereas the word 'morals' is from Latin). More commonly, 'morals' refer to the standards held by the community, often in a form clearly defined. 'Ethics', on the other hand, concerns explicit codes of conduct as well as value systems. Perhaps a useful definition in this context is that ethics is a highly explicit codified form of behaviour designed to produce particular ends and act in accordance with particular values. These are admirable values that are not directly matter of ethics (such as wealth or success); there are other values that are of direct concern (such as honesty or fairness). How ethics are related to life's values has been debated by Plato to existentialism. The study of meaning and value finds significance in every age.

Living ethically consist either of following a set of rules or the precepts of an organization; or it may consist in reflecting on how to live and then acting in accordance with the conclusions that are reached. This latter view is not about ethical absolutes, but rather about acting reflectively and with consideration. Ethics mainly deals with ideals. Hence, ethics is normative science.

What, then, is a normative science? Normative science seeks to determine norms, ideals, standards or values. It is generally recognised that there are three ideals of human life, viz., Truth, Beauty and Goodness. They correspond to three aspects of our experience thinking, feeling and willing. Logic deals with the ideal of truth and tries to establish the general conditions involved in the pursuit of Truth. Aesthetics is called the normative science of Beauty. Ethics is considered in regard to the ideal of Good. These sciences are concerned with the standards of value, rather than with the simple apprehension or ambiguity for what is right and analysis of what exists or occurs.

Ethics is not a natural or positive science like physics or chemistry. A positive science studies facts as they occur. It collects data from experience and tries to explain them by reference to natural laws. The laws of positive sciences are descriptive laws, they state how things occur are not concerned with laying down principles on how they ought to occur. "Ethics is not primarily concerned with conduct as a fact or an event in space and time, something done here and now, following from circumstances in the past and succeeded by certain results in the future. It is concerned with judgment upon conduct, the judgement that such conduct is right or wrong. '(Muirlead-The Elements or Ethics).'

Ethics is concerned not with human conduct as it is but as it ought to be. It passes judgments of value upon human actions with reference to the moral ideal. While the judgements of a positive science are judgments of fact, i.e. judgements regarding facts and events as they are or occur and state the laws governing them, judgments of normative science like ethics are judgments if value stating whether a particular conduct is in conformity with moral ideal or the ideal of goodness. Moral judgments are not descriptive but prescriptive, they state what we what we actually do. They evaluate our conduct as right or wrong.

### 1.3.1 CHARACTERISTICS OR FEATURES OF BUSINESS ETHICS

- **Code of conduct:** Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.
- **Based on moral and social values:** Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.
- **Gives protection to social groups:** Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.
- **Provides basic framework:** Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.
- **Voluntary:** Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.
- **Requires education and guidance:** Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.
- **Relative Term:** Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.
- **New concept:** Business ethics is a newer concept. It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.

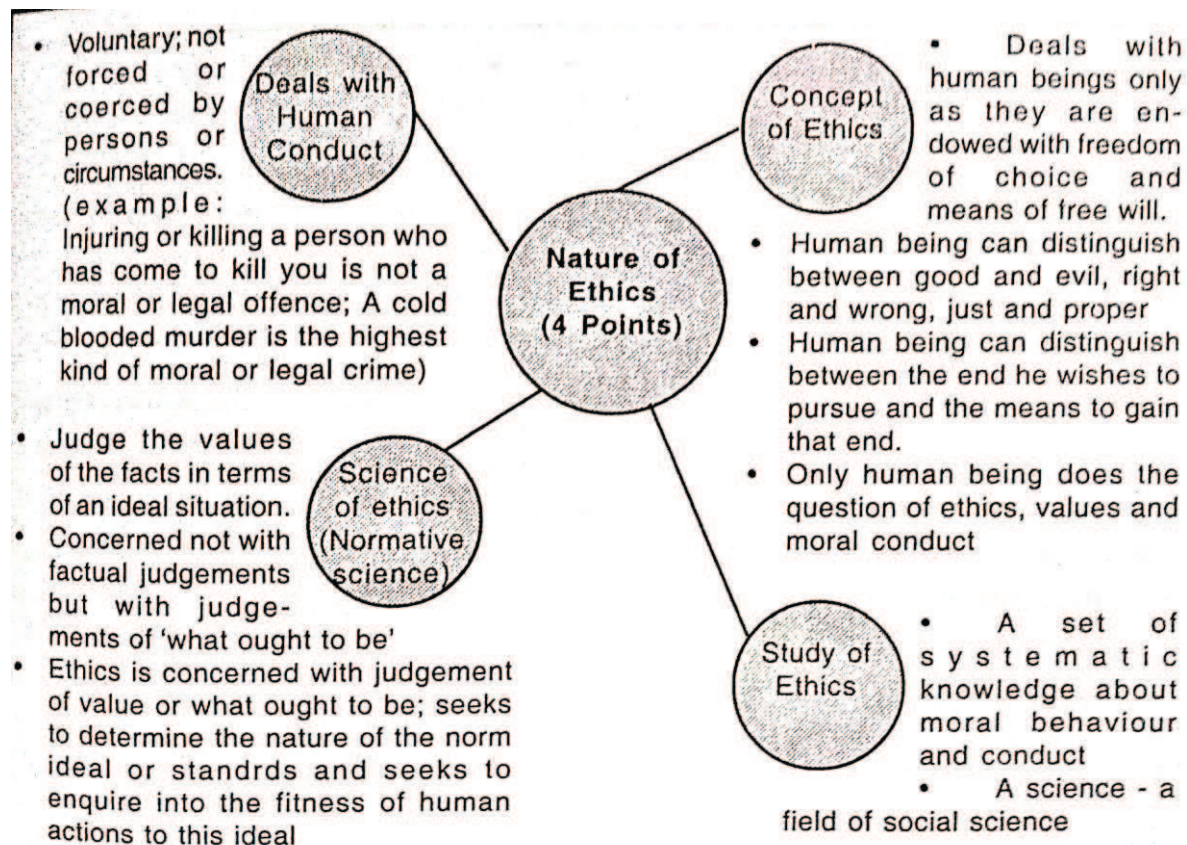


Fig 1.2 Nature of Business Ethics

Source-Murthy C.S.V, *Business Ethics: Text and Cases*, Chapter1 Introduction to Business Ethics, Page No. 11, Edition 2018. Reprint

## 1.4 CLASSIFYING ACTIONS

Among the bases for judging a code are affirmative answers to these criteria:

- (i) Reciprocity: Does each rule apply to you whether you are initiating or receiving the action?
- (ii) Universality: Do you want each rule to apply to everyone?
- (iii) Consistency: Is the system of rules logically consistent?
- (iv) Actualization: Do the rules provide direction for behaviour? Classifying actions in the course of our ethical discussions, we find it useful to classify actions according to whether they are prudential, legal, and ethical. An action is prudential, without regard to legal or ethical considerations, if the act is in the person's self-interest, where self-interest can include the effect on others. For example, the wellbeing of our children is, for most of us, in our self-interest. The act can be prudential in the short run or in the long run.



Examples of prudential actions that are not ethically or legally sensitive would be putting oil in your car's engine, buying a stereo, or getting an education. Examples of prudential actions that are ethically or legally sensitive would be euthanizing children who have genetic diseases, and pocketing money found in a dropped wallet. (You might return such money on purely prudential grounds if you think doing so, even anonymously, will encourage others to return your lost money in the future. "Honesty is the best policy" can be a purely prudential maxim.) For the enlightened person, there may be no distinction between prudential and ethical actions, and this would be a desirable state for everyone. However, until we all attain that state, we will face ethical dilemmas.

Consider the case of a parent stealing food to feed his or her child. I would call this act prudential and one that presents a conflict between the ethic of not stealing and the ethic of providing food for your children. An action is legal or illegal according to whether it is legally required or proscribed. The context of situation decides ethics, depending upon place, time and circumstances. The law is inherently coercive: The law always implies the use of physical force or the threat of physical force against people or their property. The law subjects you to physical harm or loss of property if you do what the law prohibits, such as commit assault or ingest certain substances, or if you do not do what the law demands, such as file tax returns or report for military service. An action is ethical if it is right, regardless of whether it is legal.

It is possible to have an ethic of doing only what is legal. One part of your ethical code should concern which of your ethics you will impose on others by force. In a separate course I teach, we explore the legal system in light of the maxim: "Peaceful, honest people have the right to be left alone." The distinction between legal and ethical actions was the basis for the Nuremberg trials. The people sheltering Anne Frank were performing an action that in their view was ethical but that was certainly not legal in their society. People in the United States sheltering illegal immigrants from Central America in their churches are in a similar, but less perilous, situation.

An action may be legal but not ethical. For example, intentionally misdirecting a stranger may be reprehensible, but it is not an offense chargeable by a police officer. The overall judgment you can make about an action is whether it is sagacious (wise). An otherwise sagacious action may be non-sagacious because it is illegal, for example, the act of selling wine in the United States during prohibition. For some, an act of abortion would be prudential, unethical, legal, and non-sagacious. For others, the same act could be prudential, ethical, illegal, and sagacious.

### **1.4.1 ETHICAL HIERARCHIES**

Some people want ethical hierarchies in their codes specifying what rule will prevail when there is a conflict. They may have a rule against lying but say that they would lie to save a life. This is one form of the ethic of choosing the lesser of two evils. A classic ethical dilemma of this genre is this. Terrorists take over your airplane. The passengers are confined to their seats.

The terrorists mount a gun at your seat pointed at the passenger sitting beside you. The leader says that unless you kill your fellow passenger by pulling the trigger of the gun, they will kill everyone on the plane except you. You protest. The leader then shoots the person across the passageway. You again oppose, but act smarter now..

At what point, if ever, would you pull the trigger, and in what direction? Points to ponder here are how you channelize your dilemma and fear. This circumstance allows people to explore moral responsibility for actions. Ultimately, you may realize that no one can make you a criminal except you.

### 1.4.2 TRUTH TELLING

The ethical rule that is of immediate concern in the lives of many students and other members of society is the rule to tell the truth; not telling the truth can take the forms of deception, secrecy, and euphemisms. Deception involves either being untruthful or deceiving. When you lie you make statements you know to be false with the intention to mislead; you are not just mistaken. When you deceive you create a false belief in another without making false statements (negative form) or you fail to correct a false belief (positive form). In certain games or pursuits, such as acting, the participants expect false statements. A great actor is one who can convincingly play a role the audience knows to be false.

No truth-telling ethical issues arise from these activities. We do not expect an actor to announce to the audience, "I am not really Hamlet, Prince of Denmark." The ethics class is composed primarily of young people in their 20s, so young you might think they had faced few ethical dilemmas. But that turns out not to be the case. Early in the course, I ask all of the students to describe ethically challenging situations they have experienced in their personal or professional lives. Almost all have experiences to offer, and many of them are from professional life.

Some of the ethical dilemmas described are very subtle.

Case Study: One student described a problem he faced as an employee of a software company that was planning for a major international product exposition. The company had developed a program that would solve standard problems twice as fast as its competitors and had designed a live demonstration for the exposition in which machines running its software and running its competitors' software simultaneously solved the same problem. The idea was that potential customers could see for themselves the advantages of the company's program. Shortly before leaving for the trade fair, a problem arose that had nothing to do with the program but that made the live demonstration impossible. However, they had saved files of earlier sessions that would make the machine in the demonstration look as if it were solving the problem when it was actually following the files. The company managers asked the student to run the demonstration without revealing that the machine was not running the code in real time. Another student worked for a company that had promised to develop a product for a client.

Early tests the student performed showed that the product was not performing nearly as well as specified in the contract. The managers asked the student not to mention these results to



the client at an upcoming meeting because, of course, they were going to make sure that everything would be fine in the end. Closer to our field was the case of a student who was supposed to perform research on an investment strategy under the direction of a boss who made it clear that the student's future in the company would depend on obtaining the results the boss had prescribed in advance. In each of these cases, we might be tempted to judge what should have been done, telling the student, "Refuse, and quit if necessary." But the decision is or was the student's responsibility. That student raised these experiences in class shows the discomfort they have about what was asked of them.

The learning concerns what they will do next time either to deal with similar situations or to avoid being placed in such a position.

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## 1.5 SCOPE OF BUSINESS ETHICS

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Ethics is a branch of philosophy. Its object is the study of both moral and immoral behaviour so that one is able to make well-substantiated judgements with discretion and to arrive at adequate recommendations. The scope of ethics indicates its subject matter. Ethics as normative science deals with moral ideal or the good in order to enquire the nature of our conduct.

It enquires into the nature of the springs of actions, motives, intentions, voluntary actions and so on. It determines rightness or wrongness of human actions. It does not enquire into the origin and growth of human conduct. As a science of morality ethics discusses the contents of moral consciousness and the various problems of moral consciousness. Ethics is concerned with the highest good or absolute good. It investigates the nature of its fundamental notions i.e. right, duty and good.

Moral judgments passed on our voluntary actions are also included within the scope of ethics. In discussing the moral judgment it has also to concern with the nature, object, faculty and standard of moral judgment. Moral sentiments and feelings are arising in our mind when we contemplate about the moral judgment and therefore, ethics has to discuss the nature of moral sentiments to moral judgment.

The scope of ethics includes whatever has reference to free human acts, whether as principle or cause of action (law, conscience, virtue), or as effect or circumstance of action (merit, punishment, etc.) Ethics discusses the nature of human freedom. Ethics investigates what constitutes good or bad, just or unjust. It also inquiries into-what is virtue, law, conscience and duty? What obligations are common to all? What is the good in all good acts? These questions lie within the scope of ethics. The sense of duty or moral obligation and the responsibility for actions are also included within the range of ethics.

The particular aspect under which ethics considers free acts is that of their moral goodness or the rectitude of order involved in them as human acts. A man may be a good artist or orator and at the same time a morally bad man or, conversely, a morally good man may be a poor artist or technician. Ethics has merely to do with the order which relates to man as man and

which makes of him a good man. Thus we find that although Ethics is not a guidebook of moral rules as a branch of philosophy Ethics seeks clarification of terms used in moral language. The ‘meta-ethical’ problems fall within the scope of philosophical aspect of Ethics. There is other ‘meta ethical discussions related to the nature of moral judgments, the logical basis of ethical evaluation etc.

The applied dimension of Ethics is known as “Applied Ethics’ that falls within the broad field of Ethics. These comprise the areas of situational Ethics while Meta Ethics deals with logical and semantic questions like ‘What do we mean by “freedom” and “determinism” etc.

Ethics is essentially related to all other branches of knowledge like sociology, political science, jurisprudence, law and legal study, psychology, anthropology, culture study, ecology and environmental study, economics, religion, aesthetics and other similar areas. Ethics is concerned with political, sociological, cultural, psychical, economic, environmental, religious problems in pursuit of highest good. So these problems have an additional place in the scope of ethics. With the emergence of new technology there is scope for widening the scope of ethics to address new issues.

### **1.5.1 ETHICS IN PROFESSIONAL LIFE**

The central issue in the ethics of professional life is whether we use a different ethical code as professionals from the one we use with friends and relatives. Do we wear different labels with different ethical standards as we move from one activity to another? Are we each to have a single ethical code that we apply in every situation? I find that having a single ethical code simplifies life and prevents the difficulties that arise when you treat people in different ways because of the labels you apply.

### **1.5.2 ETHICS IN BUSINESS**

The most common ethical issues in business, as in personal life, involve truth telling. The victim of deception may be a customer, perhaps someone limited in education or coping abilities. The victim may be an employee, perhaps someone told a position is permanent when it is not. The victim may be a business partner, perhaps one who is pushed aside when his knowledge has been absorbed. The victim may be an investor, perhaps one only partially informed about factors affecting the investment. The victim may be the client of a consultant who intentionally underestimates the cost of the first phase of a project in the belief that the client will agree to subsequent phases at much higher rates after committing the organization to the project. A new form of deception is to include in

### **1.5.3 ETHICS IN COMPLIANCE**

Compliance is about obeying and adhering to rules and authority. The motivation for being compliant could be to do the right thing out of the fear of being caught rather than a desire to

be abiding by the law. An ethical climate in an organization ensures that compliance with law is fuelled by a desire to abide by the laws. Organizations that value high ethics comply with the laws not only in letter but go beyond what is stipulated or expected of them.

### **1.5.4 ETHICS IN FINANCE**

The ethical issues in finance that companies and employees are confronted with include:

- In accounting – window dressing, misleading financial analysis.
- Related party transactions not at arm's length
- Insider trading, securities fraud leading to manipulation of the financial markets.
- Executive compensation.
- Bribery, kickbacks, over billing of expenses, facilitation payments.
- Fake reimbursements

### **1.5.5 ETHICS IN HUMAN RESOURCES**

Human resource management (HRM) plays a decisive role in introducing and implementing ethics. Ethics should be a pivotal issue for HR specialists. The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee.

The issues of ethics faced by HRM include:

- Discrimination issues i.e. discrimination on the bases of age, gender, race, religion, disabilities, weight etc.
- Sexual harassment.
- Affirmative Action.
- Issues surrounding the representation of employees and the democratization of the workplace
- Issues affecting the privacy of the employee: workplace surveillance, drug testing.
- Issues affecting the privacy of the employer: whistle-blowing.
- Issues relating to the fairness of the employment contract and the balance of power between employer and employee.
- Occupational safety and health.

Companies tend to shift economic risks onto the shoulders of their employees. The boom of performance-related pay systems and flexible employment contracts are indicators of these newly established forms of shifting risk.

### 1.5.6. ETHICS IN MARKETING

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. The ethical issues confronted in this area include:

- Pricing: price fixing, price discrimination, price skimming.
- Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.
- Misleading advertisements
- Content of advertisements.
- Children and marketing.
- Black markets, grey markets.

### 1.5.7. ETHICS OF PRODUCTION

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

- Defective, addictive and inherently dangerous products and
- Ethical relations between the company and the environment include pollution, environmental ethics, and carbon emissions trading.
- Ethical problems arising out of new technologies for e.g. genetically modified food
- Product testing ethics.

The most systematic approach to fostering ethical behaviour is to build corporate cultures that link ethical standards and business practices.

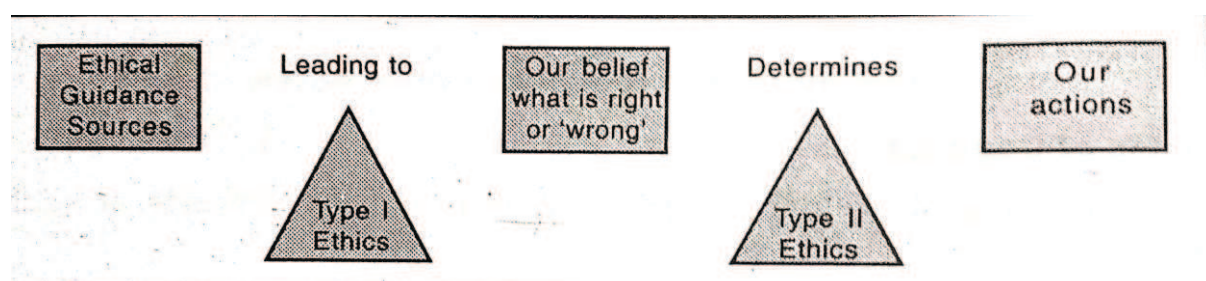


Fig 1.3 Model of Ethics

Source-Murthy C.S.V, *Business Ethics: Text and Cases*, Chapter1 Introduction to Business Ethics, Page N0. 20, Edition 2018. Reprint

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## 1.6 A TWO-FOLD OBJECTIVE

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Ethics has a two-fold objective: it evaluates human practices by calling upon moral standards; also it may give prescriptive advice on how to act morally in a specific circumstance.

The first aim implies analysis and evaluation. It leads to an ethical diagnosis of past actions and events. The analysis consists of clarifying standards and lines of argument. Already, here ethics can be useful, as one is often unaware about most moral values and habits of thought. The basic assumptions behind our moral actions and judgements are mainly taken for granted. Normative ethics analyses our judgements and makes our moral assumptions explicit, but it may also criticize them.

The first purpose does not limit itself to neutral description. It seeks to understand the real issues that are at stake in order to make adequate evaluations. The underlying moral issues may then often be represented as a dilemma. Such moral choices often confront us with painful choices; presenting options that each has positive and negative features. Moreover, these features are not easily evaluated, because people have different objectives. These different goals may lead to different moral standards.

In front of such true dilemmas reflective practitioners have to make a stand. One has to choose a line of conduct in order to serve vital objectives. In this sense normative ethics is evaluative. The recommended guidelines may lead to a critical evaluation of actual or historical choices.

Normative ethics sets itself a second and more curative purpose. Ethics develops rational methods for answering the present and future issues. In order to achieve this second objective one has to be well informed. Balanced judgements are based on careful assessment of relevant information; also has to be quite specific when deciding upon appropriate normative standards. If both these conditions are met, ethical thought may lead to valid prescriptions.

So, the second objective is to provide therapeutic device. It suggests solutions and policies when facing the present dilemmas and future dangers, based on well-informed opinions. This especially requires a broad-minded identification of relevant stakeholders and a clear understanding of the vital issues at stake.



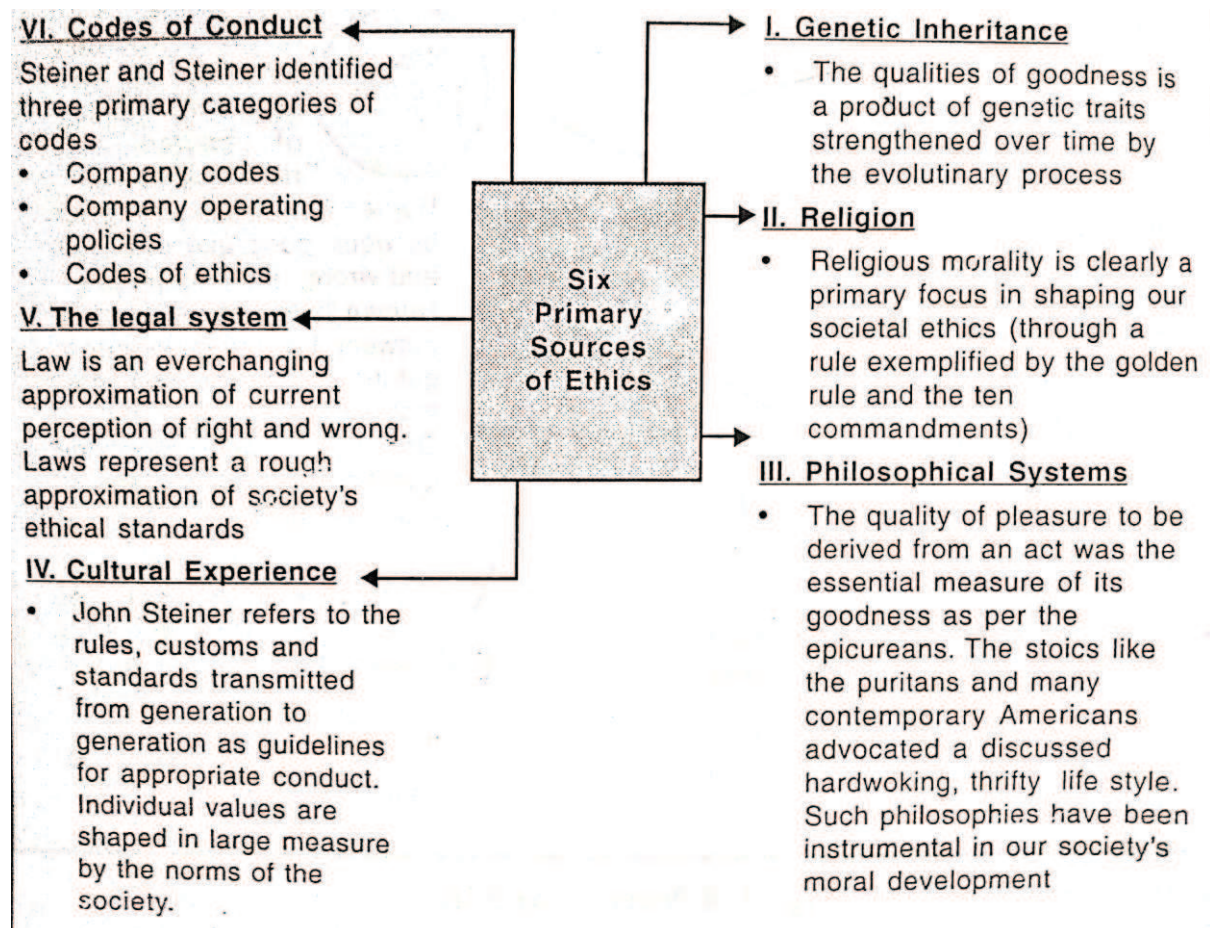


Fig 1.4 Six Primary Sources of Ethics

Source-Murthy C.S.V, **Business Ethics: Text and Cases, Chapter1 Introduction to Business Ethics, Page No. 12, Edition 2018. Reprint**

## 1.7 THE NEED FOR ETHICS

Trade, commerce and industry are based on the profit motive. This motive by itself is not bad. No business organisation can run successfully if it continuously suffers losses. In some countries, many public sector enterprises are perpetually loss makers. Their output is less than their input. In such cases, the government and ultimately the people have to pay for the inefficient and often corrupt management. This state of affairs cannot go on for long. One of the main causes of the collapse of the Soviet Union was the inefficiently managed loss-making public sector enterprises. Hence, the need for making profit in both private and public sector enterprises cannot be questioned.

Accepting profit-motive in all our business and commercial activities, we shall have to be very careful about the means adopted by us for making profit. The moral value of a conduct is determined not merely by the motive but also by the means adopted to realise our end. The



two together (motive and means adopted) form the 'intention' which is the object of moral judgment.

Questionable means adopted by us to make a quick buck often lead to disastrous consequences as has been shown by the spectacular collapse of some big business firms in the USA and elsewhere. The managers and the Chief Executive Officers of these firms, that were not doing very well, tried to show by manipulating their accounts that they were in the pink of health.

This led to rise in the price of the shares of these companies in the stock market. The top officials of these companies then sold their own stocks in the market and made huge profits. They sold out their shares knowing very well that their companies were soon going to collapse. These big companies were aided in their nefarious activities by their auditors whose duty it is to go through the accounts and prepare an honest statement of the financial position of the firms audited by them. These giant companies collapsed leading to loss of billions of dollars by the ordinary shareholders who has no inside knowledge of the working of these firms.

Thousands of employees of these firms lost their jobs. These spectacular collapses have given a wake-up call to the stock exchange regulators. The U.S. Congress is introducing new laws, giving more power to the regulatory bodies and trying to bring the criminals to justice. The sheer size of the bankrupt firms and the causes behind their sudden collapse, have drawn the attention of government and the people. They are trying to devise ways and means to prevent future occurrences of such events. But such events are neither new nor rare. Such things have been happening since the beginning of the industrial era and the formation of big financial houses.

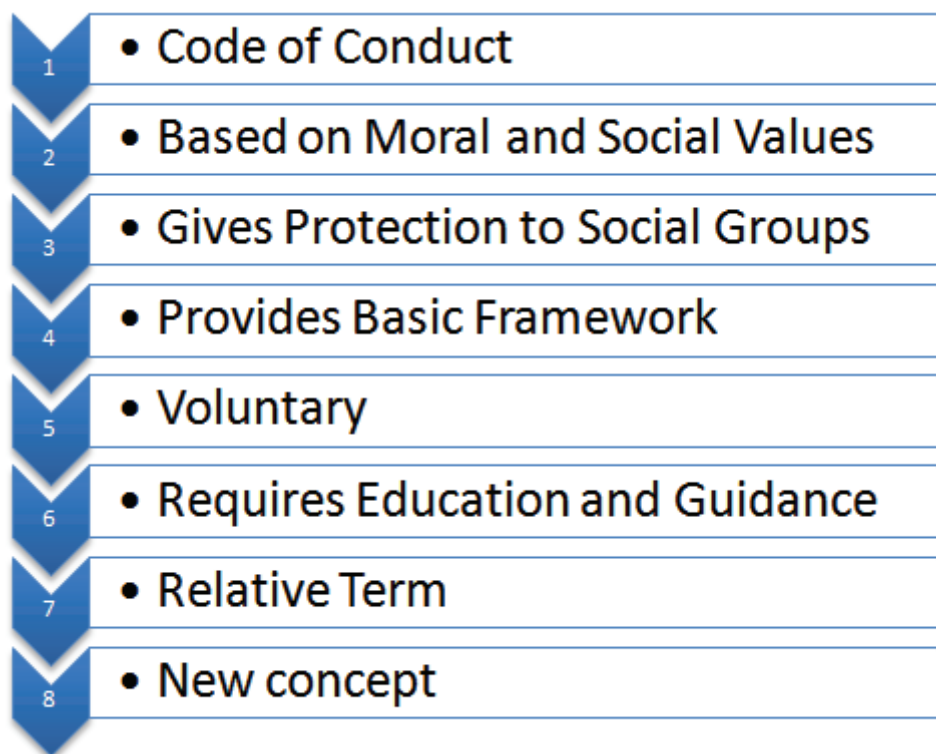
Artful men have been cheating the gullible by promises of big profit for hundreds of years. In England, they still remember the 'South Sea Bubble'. In our country, we have witnessed one financial scam after another. Ten years after Harshad Mehta came Ketan Parekh. They are different persons but are of the same bent of mind. Unethical people and practices should be strictly dealt with.

Apart from the now-forgotten Harida Mundra, it is virtually impossible to name any financier industrialist or stockbroker convicted for his criminal activities. The moral lapse is not only on the part of these men but also on the part of the representatives of people, the politicians and the bureaucrats who control the government. The latter are often found to be in the pay of the former and this leads to scams of increasingly bigger size. Rules and regulations in the fields of trade, commerce, industry and finance are always needed as they are in the other fields of life. But the strictest of rules cannot prevent the recurrence of corruption, for the simple reason that so long as men are willing to take the risk to make a quick buck, there will always be infringement of laws and regulations. One cannot make men moral by framing rules and regulations alone. So long as there is no radical change in human nature and tendencies, corruption will continue to manifest itself from time to time. All men are subject to diseases and ill-health. So, they have to take medicine. But moral diseases cannot be as easily healed as physical diseases can be. The fear of punishment keeps us in check, but does not remove the evil tendency altogether from us, The change needed for

making men honest in all their dealings cannot merely come from the application of moral principles that are the products of our rational faculty that itself is highly limited and imperfect. It is not possible for anyone to see all the aspects of a thing or event at one glance.

We know, there are restrictions at various stages of human life, we are limited by our birth, education, upbringing, prejudices, emotions and idiosyncrasies. What appears to be true to one may appear to be false to another. At best our knowledge is limited and partial.

We are like the blind men trying to know an elephant. So long as we are in this state of half-knowledge and half-ignorance, our sincerest efforts will produce only limited benefits in every sphere of our life. In some cases, the results of such sincere efforts may turn out to be unmitigated disasters. With the best of intentions, men, particularly those who are in positions of power and authority in any sphere, have often committed "Himalayan Blunders". Gandhi himself made such an admission towards the end of his life. The best of intentions, the best of rules-moral political, social, economic etc.-will not save mankind from South Sea Bubble, Enron, WorldCom etc., or from war, famine and disease.



**Fig 1.5 Need for Ethics**

**Check Your Progress- A**

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**Q1. What is the Nature of Business Ethics?**

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**Q2. Discuss the Scope of Business Ethics**

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**Q3. What is the Need for Ethics?**

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**1.8 PURPOSE OF BUSINESS ETHICS**

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**1. Corresponds to Basic Human Needs:**

The basic need of every human being is that they want to be a part of the organisation which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organisation which the society respects as a honest and socially responsible organisation. The HR managers have to fulfil this basic need of the employees as well as their own basic need that they want to direct an ethical organisation. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.

## 2. Credibility in the Public:

Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this reason only the cola companies are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.

## 3. Credibility with the Employees:

When employees are convinced of the ethical values of the organisation they are working for, they hold the organisation in high esteem. It creates common goals, values and language. The HR manager will have credibility with the employees just because the organisation has credibility in the eyes of the public. Perceived social uprightness and moral values can win the employees more than any other incentive plans.

## 4. Better Decision Making:

Respect for ethics will force a management to take various economic, social and ethical aspects into consideration while taking the decisions. Decision making will be better if the decisions are in the interest of the public, employees and company's own long term good.

## 5. Profitability:

Being ethical does not mean not making any profits. Every organisation has a responsibility towards itself also i.e., to earn profits. Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.

## 6. Protection of Society:

Ethics can protect the society in a better way than even the legal system of the country. Where law fails, ethics always succeed. The government cannot regulate all the activities that are harmful to the society. A HR manager, who is ethically sound, can reach out to agitated employees, more effectively than the police.

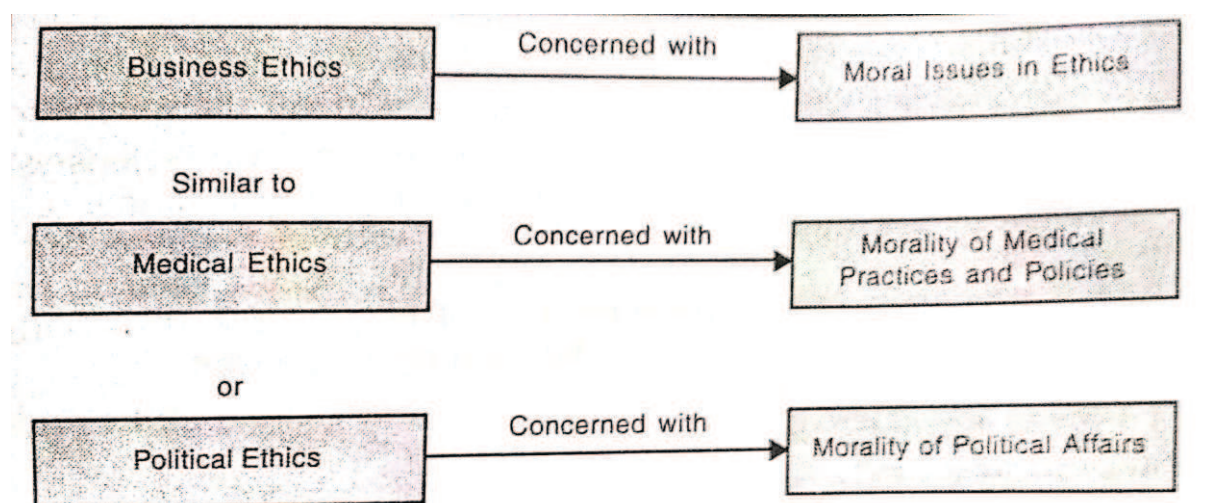


Fig 1.6 Understanding Business Ethics

Source-Murthy C.S.V, **Business Ethics: Text and Cases, Chapter1 Introduction to Business Ethics, Page No.6, Edition 2018. Reprint**

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## 1.9 BUSINESS ETHICS AND MANAGEMENT

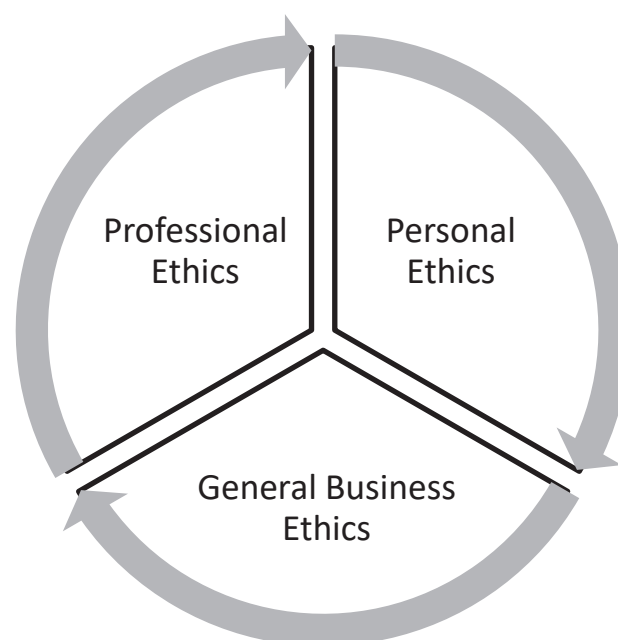
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Ethics is concerned with the code of values and principle which enables an individual to decide between what is right and what is wrong and therefore can make choices accordingly. Further ethics dilemma arises from conflicting interests of the various groups involved. Due to this, decisions are made by the top management based on a set of principles which is influenced by high moral values, context and culture of the organization. Ethical leadership is beneficial for the organization since it is seen to conduct its business with the expectations of all its stakeholders.

Ethics describes a code of conduct for the human community and creates the environment for business and to the people who work within these organizations. Business ethics is a form of applied ethics, which not only includes moral values but having a pragmatic approach of these values to institutions, technologies and activities which we term as business.

“It was difficult, but not impossible, to be an honest businessman; but it was impossible to be honest, and also amass wealth. A simple and sustaining life style based on the dictum that while there was always adequate means to meet the needs of everyone, it was not enough to meet the greed of a few.”

**-Mahatma Gandhi**



**Fig 1.7 Aspects of Business Ethics**

- (i) **Personal Ethics:** It is basically concerned with helping mankind and serving society at a large. It lays stress upon respecting cultures of society and corporate and enhancing the value of a company by each ones effort.
- (ii) **Professional Ethics:** Professional ethics is associated with the company's expectation from employers and offering them guideline on handling more common ethical problems that might arise in the course of doing business. Professional ethics maintains ethics in various departments like Human Resource, Marketing and Sales. Production, Economics and trading system including export and import and accounting information. It is one of the views that having such a policy will lead to greater ethical awareness, consistency in application and the avoidance of ethical disasters.
- (iii) **General Management:** The successful functioning of a firm requires social approval and acceptance. No business can survive without the recognition and endorsement of the society in which it carries out its activities. **Peter F. Drucker** in 1963 in his book "The practices of Management", stated that in relationship between business and society is "like the relationship between a ship and a sea which engirds it and carries it with steam and ship work, which has to be crossed but which is yet alien and distant, the environment rather than the home of a ship". General Management ethics also includes corporate social responsibility, concerning relationship between different companies and moral rights, duties and responsibilities towards its stakeholders.

**Kenneth e. Goodpaster**, Professor of business ethics at the university of St. Thomas, Minneapolis, USA, states that:

"Business leaders are the principle architects of corporate conscience. They are the ones who must manage the challenges associated with pursuing profit while maintaining integrity. They are the ones most agenda of the corporation, that agenda includes three broad imperatives: orienting, institutionalising and sustaining ethical values within the corporate activities. "

Reflective ethical insight is a very important and underestimated prerequisite for concrete moral action. It is only one element, for the moral quality of business actions also depends on vision, circumspection, experience and sensibility.

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## 1.10 SUMMARY

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Ethics are the moral principles and values that emphasize the behaviour of humans in society. Moral principles relate to what is 'right' or 'wrong'. Business ethics are, therefore, the moral principles that highlight behaviour of business organisation as an entity. It is important that



the actions carried out by the business organisations and their employees are morally acceptable and is judged in the context of the society and the era in which they operate. An ethical business is one which applies a set of moral principles to all communications with the stakeholders, and also includes dealing with employees, customers, suppliers and shareholders. Ethics is knowing and doing what is right, understanding what is right. Morals and ethics emphasize on values system. The terms ethics and morals are sometimes used interchangeably, although one can make distinctions (the word ethics is from Greek, whereas the word 'morals' is from Latin). More commonly, 'morals' refer to the standards held by the community, often in a form clearly defined. 'Ethics', on the other hand, concerns explicit codes of conduct as well as value systems. You also learnt that Ethics is a branch of philosophy. Its object is the study of both moral and immoral behaviour so that one is able to make well-substantiated judgements with discretion and to arrive at adequate recommendations. The scope of ethics indicates its subject matter. Ethics as normative science deals with moral ideal or the good in order to enquire the nature of our conduct. Further, you also learnt that ethics is concerned with the code of values and principle which enables an individual to decide between what is right and what is wrong and therefore can make choices accordingly. Further ethics dilemma arises from conflicting interests of the various groups involved. Due to this, decisions are made by the top management based on a set of principles which is influenced by high moral values, context and culture of the organization. Ethical leadership is beneficial for the organization since it is seen to conduct its business with the expectations of all its stakeholders.




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## 1.11 GLOSSARY

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**Adequate:** as much or as good as necessary; fully sufficient, suitable.

**Affirmative:** expressing agreement or consent; assenting.

**Amass:** to gather for oneself; collect as one's own.

**Anthropology:** the science that deals with the origins, physical and cultural development, biological characteristics, and social customs and beliefs of humankind.

**Apprehension:** a view, opinion, or idea on any subject.

**Articulated:** made clear or distinct.

**Circumspection:** circumspect observation or action; caution; prudence.

**Contemplate:** to look with continued attention; observe or study thoughtfully.

**Credibility:** the quality of being believable or worthy of trust.

**Demur:** to make objection, especially on the grounds of scruples; take exception.

**Descriptive:** having the quality of describing; characterized by description.

**Exposition:** the act of presenting to view; display.

**Existentialism:** a philosophical attitude associated especially with Heidegger, Jaspers, Marcel, and Sartre, and opposed to rationalism and empiricism, that stresses the individual's unique position as self-determining agent responsible for the authenticity of his or her choices.

**Gullible:** easily deceived or cheated.

**Malpractices:** any improper, negligent practice; misconduct or misuse.

**Manipulating:** to manage or influence skilfully, especially in an unfair manner:

**Normative:** relating to norm, especially an assumed norm regarded as the standard of correctness in behaviour, speech writing, etc.

**Obligation:** something by which a person is bound or obliged to do certain things, and which arises out of sense of duty.

**Perpetual:** continuing or enduring forever; everlasting.

**Pivotal:** of vital or critical importance.

**Practitioners:** a person engaged in the practice of a profession, occupation, etc.

**Prerequisite:** required beforehand.

**Prescriptive:** that prescribes; giving directions or injunctions.

**Prohibit:** to forbid (an action, activity, etc.) by authority or law.

**Pursuit:** the act of pursuing.

**Prudential:** having discretionary or advisory authority, as in business matters.

**Recommendation:** representation in favour of a person or thing.

**Reciprocity:** a reciprocal state or relation.

**Sagacious:** wise.

**Sensibility:** sensibilities, emotional capacities.

**Simultaneously:** existing, occurring, or operating at the same time; concurrent.

**Skimming:** the practice of concealing gambling or other profits to avoid paying taxes.

**Stakeholders:** the holder of the stakes of a wager.

**Subtle:** fine or delicate in meaning or intent; difficult to perceive or understand.

**Underpin:** to replace or strengthen the foundation.






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## 1.14 TERMINAL QUESTIONS

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- Q1. What is ethics? Describe ethics as a normative science.
- Q2. What are the presuppositions behind moral judgment?
- Q3. Discuss the scope of ethics.
- Q4. Can we do without ethics in our economic activities?
- Q5. Do you think that there is any need to go beyond ethics?
- Q6. What are the stages of voluntary action?
- Q7. Do you think that spiritual life is the very negation of the principles of mind, life and matter?

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## UNIT 2 ETHICS AND MORAL STANDARDS

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- 2.1 Introduction**
- 2.2 Objectives**
- 2.3 Importance of Ethics in Business**
- 2.4 Moral Standards**
- 2.5 Consequentialist Principles**
- 2.6 Non-Consequentialist Principles**
- 2.7 Ethical Principles**
- 2.8 Moral Responsibility**
- 2.9 Summary**
- 2.10 Glossary**
- 2.11 Reference/ Bibliography**
- 2.12 Suggested Readings**
- 2.13 Terminal & Model Questions**

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### 2.1 INTRODUCTION

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Ethical behaviour is indispensable for sustainability of any business organisation. This is true from both macro- and micro-perspective. According to macro-argument, unethical behaviour distorts the market system that leads to an inefficient allocation of resources. The micro argument highlights the importance of ethics to the individual firm. Unethical behaviour leads to decreased long-term performance. In this unit, you will learn about importance of Ethics in Business, moral standards, Consequentialist Principles and Non-Consequentialist Principles.

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### 2.2 OBJECTIVES

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After completion of this unit you should be able to understand;

- Importance of Ethics in Business
- Moral Standards
- Consequentialist Principles
- Non-Consequentialist Principles
- Ethical Principles
- Moral Responsibility

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## 2.3 IMPORTANCE OF ETHICS IN BUSINESS

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The market system leads to a more efficient way of allocating resources than any command system.

The conditions required for the efficient working of the market system are:

1. The right to own and control private property.
2. Freedom of choice in buying and selling goods and services.
3. The availability of perfect information regarding these goods and services.

Ownership of private property is necessary for exchange to take place. Freedom of choice in exchange allows the market to operate freely. Perfect information enables buyers to locate desirable goods and services in the marketplace so that they can exercise their freedom of choice. Private property is essential for exchange. For the market to work one must have the right to own private property and one's property rights must be respected.



**Fig2.1 Importance of Ethics in Business**

Business organisations and their workforce are encouraged to perform their jobs ethically to check from causing any harm to the society. "Wellbeing of all" is the strongest and most desired ethical principle. High ethical standards promote performance of actions which protects the interest of society at large through business organisations. Also businesses that treat their employees with dignity and integrity reap many rewards in the form of high morale and enhanced productivity. Personnel feel good for working in a company which maintains high levels of ethical standards and also feel protected along with general public. In spite of the positive benefits of good ethical practices, there exist ethical problems due to following reasons:

- Mean mentality / dubious character
- Difference and clash of individual values with organizational goals
- Belief, values and attitudes of managers
- Competitive pressures
- Differences, diversity and Cross-cultural contradictions

### **2.3.1 PERSONAL VALUES IN BUSINESS**

Business organisations may at times employ people whose personal values are not up to the mark. Their behaviour may raise ethical issues. There may be employees who act in such a way to be so selfish for their own and cross all limits to be ahead of all, not bothered about the wellbeing of the fellow employees, the company or the society. Since it is difficult to measure ethical qualities in anticipation or measure at the time of recruiting employees, there is always a risk of a fish spoiling the pond in other words there may be some/a few unethical employees whose bad qualities may harm the organisational culture. Background verification may be to some extent helpful in proper screening system on quality grounds. However, human being is the most unpredictable animal on earth.

Business concerns should proceed carefully while screening applicants, taking care not to trample individual rights in the search for potentially unethical employees. It is important to make new employees in business organisation to clearly understand the stand that no unethical practices and behaviour will be tolerated. The proprietor /manager of the business/company should also be ethical so as to set an example for all.

#### **(ii) Individual values vis a vis organisational goals**

A company if it pursues goals or uses methods that are not acceptable to some of its employees will create ethical conflicts in business. Whistle blowing would be the outcome if an employee 'goes public' with a complaint which is the outcome of his failure to stop unethical practices in the organisation or not able to convince the company to correct the alleged abuse.

Case Study: In one of the machine tool manufacturing companies in India, an officer posted abroad had good qualifications and vast experience in foreign countries was recalled

suddenly and asked to work under one of the directors of the company who was not much qualified. The methods, procedures, followed in the department by the director were not accepted by the officer and there used to be heated arguments even though many good suggestions were made with his experience. All these were in vain and the director was so furious about the officer and made the officer to work in an isolated place without any responsibility assigned him. Eventually, the officer was forced to resign on his own.

As could be seen from the above, the protesting employees in these companies were not trouble makers. Instead, they wanted to correct the internal company procedures. They felt that the company's goals methods etc. which employers were following would harm everyone including themselves as well as customers and the general public. On the contrary, the people at the helm felt that they are right and the protesting employees are wrong and unethical. This was an ethical dilemma. The protestors or the employees who do not like the company's practices 'Blow Whistle' by revealing the situation to the general public.

### **(iii) Managers values and attitudes**

As decision makers, managers have more opportunities than others to set an ethical tone for the company. They are the key people to act ethically or unethically. Ethical guidance usually will be provided by the top levels to the employees down below. The values held by the top managers are important in promoting ethical activities

Managers may seek answers to three key questions while making a decision.

- Will it work? (Pragmatic approach) Major decision making orientation of managers referred that pragmatic approach and ethical approach contributes the major approaches.
- Is it right? (Ethical approach)
- Is it pleasant? (Affective approach)

Values most likely to influence managers at work are:

- Service to customers
- Ability
- Company loyalty
- Achievement
- Organisational efficiency
- High productivity

A study of a group of over 1400 corporation executives rated values indicates:

- Responsibility and honesty    88%
- Capable                                66%
- Imaginative.                        55%
- Logical.                                49%



- Ambitions. 37%

The above values preferences are due to the influence of their companies on the managers. Another reason is the professional responsibility that managers feel concerning their jobs. Organisational effectiveness is their central goal while at work the organisation is to be made effective, efficient management is required.

Other important goals are:

- Organisational efficiency
- Reputation of organisation
- High morale of all, personnel and employer
- Organisational leadership
- High productivity

Similarly, in the long run it is important to have:

- Organisational growth
- Organisational stability
- Profit maximisation - also would follow

Lastly, it is important to maintain:

- Organisational value to community
- Service(CSR) to public is also necessary

The factors which might cause the managers to make unethical decisions as per an article in Harvard Business Review. January 1997, p.66) are as under:

Behaviour of the supervisors in the company is most important.

Followed by this are

- Behaviours of one's equals in company
- Industry's ethical climate
- Society's moral climate
- Formal company policy
- Personal financial need

These research findings show that the values and attitudes of managers are a critical lament in a company's ethical performance.

#### **(iv) Competitive pressures**

When companies face competition because of similar products, they sometimes engage in unethical activities in order to wipe out a competitor from the market. Rivalry between employees for advancement can motivate some kind of unethical behaviour.



Case study: A private company was working for a long time making particular type of machinery. This company also had a very good collaborator from Europe for getting back up for those products. The design of the product was light and liked by its customers. However, the performance of the products was good and it was well established in the market since a long time and they could sustain even without business for certain years.

Another company X which was a well established public sector company at the same time was forced by the government to take up the manufacturing of similar products of the private company and to compete with them. The public sector company could not compete with the private company for the following reasons:

- Public Sector Company collaborated with a firm abroad of less repute which was not popular in the market. The products of that company were very heavy, performance was not so good. Added to this, adequate back up support was not there.
- Further, the private company had amassed high profits every year and monopolised more or less from a long time. They were able to go down to any price and compete. The price of their products where competition developed was always kept 10% lesser than public sector and was supplying better products to customers.

The public sector could not compete due to its high overheads high collaboration fees. uncompetitable products, poor backup service from collaborator, high cost of machinery installed, high salary of people.

Further, the private sector was able to secure orders through discounts, presentations, gifts, etc., which the public sector could not afford to do it. The main intention of private sector was to wipe out the public sector and it succeeded to the major extent and is sitting pretty even today making the public sector, almost in the verge of closing.

#### **(v) Cross-cultural contradictions**

Ethical problems occur when certain corporations cannot do business at home, would try to enter other societies where ethical standards differ. At home, if it is difficult to follow the ethical standards then such unsafe products (their countries doesn't permit) are so where and there is demand in other countries and standards permit to use such products. Acceptable safety standards differ among nations and that honest differences of opinion exist among scientists and safety experts. There are some companies who have built factories in nations whose pollution control laws are less stringent than particular country regulations. They are charged with "exporting pollution". What is thought to be ethically acceptable by one nation is considered unethical by another. The resultant ethical dilemmas can be difficult ones for business firms and their managers to solve.

Four groups to which business has a responsibility. Companies have a responsibility to

- Society
- Employees
- Customers (Consumers)

- Investors

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## 2.4 MORAL STANDARDS

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Moral standards provide tools for judging the moral value of a decision. Moral standards are the yardsticks of business ethics. They provide the basis for deciding whether an act is right or wrong.

According to David Fritzsche, "business ethics is the process of evaluating decisions, either pre or post, with respect to the moral standards of society's culture." In order to evaluate decisions, we need a tool box of moral standards. Managers will evaluate the moral dimensions of a decision before making it. The moral yardsticks used to evaluate a decision consist of the moral standards of a society's culture. Business ethics involve the use of moral standards when making decisions. Moral standards consist of specific moral norms and general moral principles. Moral norms prohibit certain types of behaviour such as lying, stealing and killing.

Moral principles provide more general guidelines for behaviour and are applicable to decision situations. We shall use Integrative Social Contracts Theory as the foundation for evaluating the ethical dimension of decisions. Integrative Social Contracts Theory is a normative theory of business ethics and it allows for moral diversity among various cultures while maintaining certain universal norms. A social contract is an informal agreement regarding behavioural norms that are developed from shared goals, beliefs and attitudes of groups of people. Corporations enhance the welfare of society through the satisfaction of consumer and interest of workers by leveraging corporations' special advantages. This is the moral foundation of the corporation. The social contract also serves as a tool to measure the performance of productive organisations.

When such organisations fulfil the terms of the contract, they are morally justified. When they do not, they should be condemned. Hyper-norms are universal and impose certain conditions on all business activity. The macro-social contract functions at the global level provided specific conditions under which micro-social contracts may be developed. Micro-social contracts are community contracts developed to judge business activity.

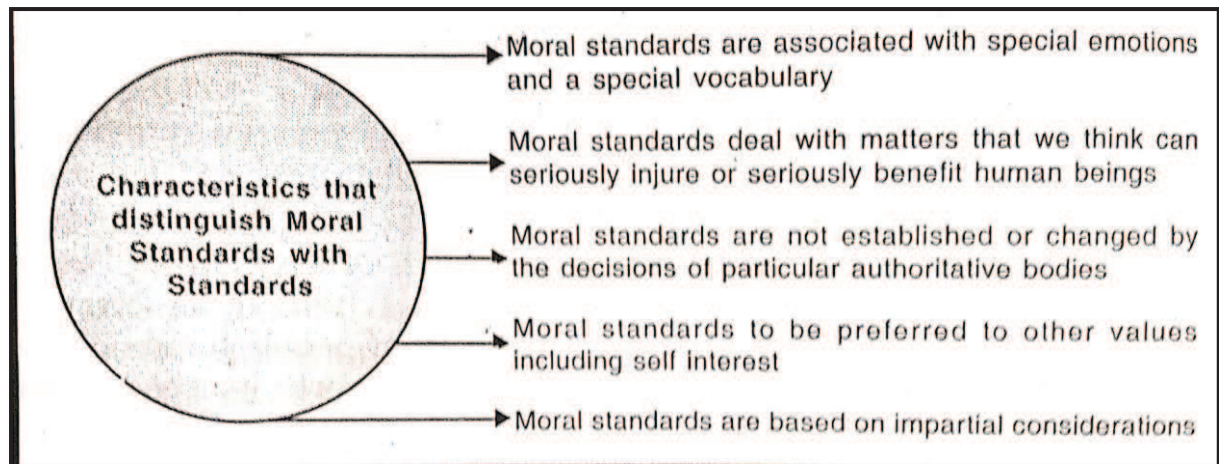


Fig 2.2 Characteristics distinguishing moral standards from standards

Source-Murthy C.S.V, *Business Ethics: Text and Cases, Chapter2 Values, Norms, Belief and Moral Standards*, Page No. 56, Edition 2018. Reprint

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## 2.5 CONSEQUENTIALIST PRINCIPLES

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Consequentialist principles focus on the outcome of a decision. A decision is ethical or unethical based on the consequences of the decision. The factors affecting the consequences of a decision are: 1. Egoism, 2: Utilitarianism

### 2.5.1 EGOISM

Egoism is a standard that focuses on self-interest. Egoism is equated with an individual's personal interest. Decisions based on egoism provide the most favourable consequences for that party regardless of the consequence to other parties. This does not mean that other parties must be harmed by a decision. However, benefits beyond, the party of interest are of no concern to the decision-maker. Self-interest may be short-run or long-run.

Long-run self-interest is often called enlightened self-interest because it considers both the direct and the indirect consequences of an act over an extended period of time. Long-run self-interest takes into consideration the impact of a decision on the relevant stakeholders and the expected reaction of those stakeholders. For example, a decision that increases short-term profits through unfair means will damage the goodwill of the company that might decrease long-term profits. A short-run consideration would lead to accepting the decision while an enlightened self-interest position (long-run) would reject it due to excess of costs over benefits. Adam Smith has argued that society's interest is better served when an individual pursues long-run self-interest. Smith remarked, commerce and manufacturers can seldom flourish long in any state that does not enjoy a regular administration of justice, in which the people do not feed themselves secure in the possession of their property, in which the faith of

contracts is not supported by law and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay.

## 2.5.2 UTILITARIANISM

Utilitarianism is associated with Jeremy Bentham (1748-18) and John Stuart Mill (1806-73). According to the utilitarian principle, a decision is ethical if it provides greater net utility than any other alternative decision. The decision-maker should evaluate each alternative decision, determine the negative and positive utilities arising from all the alternatives and then select the one that yields the greatest net utility. There are two types of utilitarianisms-act and rule. Individual decisions are evaluated under act utilitarianism when the moral value of a decision is determined by the consequences of the specific act. Rule utilitarianism prescribes a set of rules, which if followed over time, will yield the greater net utility.

While act utilitarianism studies the total consequences of single act. Rule utilitarianism looks at the consequences over a series of acts. Act utilitarianism highlights short-run perspective while rule utilitarianism highlights a long-run perspective. The rules developed under rule utilitarianism are a typical moral code that guides the decision-maker in making a series of decisions that will yield the greatest good. Egoism is concerned with the self-interest of the individual the firm, the society etc. Utilitarianism is concerned with the self-interest of all stakeholders in total. Individual egoism can be said to be at the one end of the 'consequential continuum and utilitarianism at the other end. Some decisions may be optimal for the entire consequential continuum.

By using a consequentialist approach a manager may have to face some difficulties.

First, it is very difficult to foresee all the consequences of a business decision. Accurate forecasts of outcomes are required in situations where little data is available.

Second, many decisions have consequences that are not easily measured and often lack common measurement units.

Third, maximising net utility may require actions that cause harm to some people.

For example, the construction of the Central Pacific Railroad was accomplished using Chinese labourers who were paid practically nothing and treated like beasts. Many died or were maimed. In terms of act utilitarianism, positive net utility was created. Railway connections greatly enhanced the transportation capabilities of the country.



**Check Your Progress- A**

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**Q1. What is the importance of Ethics in Business?**

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**Q2. How you define Moral Standards?**

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**Q3. What are the Consequentialist Principles?**

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**Q4. What are the Non-Consequentialist Principles ?**

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## 2.6 NON-CONSEQUENTIALIST PRINCIPLES

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Non-consequentialist principles consist of sets of rules. The consequence of a specific decision is irrelevant and what matters is whether the decision is ethical. The rules provide the guide to ethical decision-making. Unlike rule utilitarianism, these rules are based on reason, not consequences. Non-consequentialist principles are either Rights Principles or Justice Principles.

### 2.6.1 RIGHTS PRINCIPLES

Rights principles grant a person certain moral or human rights by virtue of being a human being. These rights are closely associated with duties. It is one's duty not to violate the rights of others just as 'it' is the duty of others not to violate his rights. The development of moral rights is generally attributed for Immanuel Kant (1724-1804), He argues that an action is morally right only if you would be willing to have everyone act the same way in a similar situation. Kant's second principle states, 'Act so that you treat humanity, whether in your own person, or in that of another always as an end and never as a means only. People should never be treated only as a means to an end but as ends themselves.

Thus, when using people to accomplish your purpose, you have a duty to respect them as human beings. Kant considered this categorical imperative to be a moral law. It is an unconditional command that must be obeyed. His categorical imperative provides firm rules for decision-making that do not depend on circumstances or results and do not allow for individual exceptions. To Kant, they are absolute duties and a moral act is performed out of duty only. Rights may be either positive or negative.

Positive rights imply that an agent has an overt duty to provide whatever is required to exercise the right. If education is a right, the State has a duty to provide access to education. If you have a right to freedom of speech, my duty is not to interfere with your free speech.

Gerald Cavanaugh has cited six rights that are basic to business activity. These include:

1. Life and safety,
2. Truthfulness
3. Privacy
4. Freedom of conscience
5. Free speech,
6. Private property

These rights also create prima facie duties.



## 2.6.2. JUSTICE PRINCIPLES

Justice is associated with issues of rights, fairness and equality. A just(adjective) act respects your rights. A just act treats you fairly. Principles of justice may be divided into three types- distributive justice, retributive justice and compensatory justice.

**(i) Distributive Justice:** Society has many benefits and burdens that must be distributed among its members. Benefits include income, wealth, jobs, education and leisure. Burdens include work, taxes and social and civic obligations. The allocation of benefits and burdens raises questions of distributive justice.

Allocation can be made on the basis of:

1. Equality,
2. Based on need,
3. Based on effort,
4. Based on merit,
5. Based on social contribution.

Most proponents agree that equals should be treated equally and unequal should be treated unequally in proportion to the degree of their inequality. This inequality must be based on relative differences of experience, etc. This concept is referred to as the formal principle of justice.

- (i) Retributive Justice:** Retributive justice is concerned with retribution or punishment for wrongdoing. The questions from human rights commission is raised on such matters, when is it just to punish someone is and what should be the nature of that punishment. According to Aristotle, a person is morally responsible for his actions unless he has been forced to take that action or is ignorant of the act's negative consequences. A person may not be held responsible if he is unable to stop the wrongdoing due to personal incapacity or powerful external forces. Just punishment must justify to the crime. The severity of punishment should be in accordance to the magnitude of the crime.
- (ii) Compensatory Justice:** Compensatory justice is concerned with compensating the party injured by the wrongful act. Most people agree that the injured party should be returned to the condition that existed before the injury. This includes necessary medical treatment and services and goods that are needed to rectify the injury. The compensation should be equal to the loss suffered by the injured party. However, problems occur when it is not possible to provide complete compensation, for example, a life lost cannot be restored.

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## 2.7 ETHICAL PRINCIPLES

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Ethical codes in business organisations existed even in the days when there were no innovations. In the recent years, all companies under SEBI purview have adopted the approach to corporate ethics. In USA, it has grown faster after the introduction of the federal declines, under which, in the event of criminal instance of a company code of events can be taken an indication that to ensure code of conduct. In order to improve standards of behaviour from the pressures of the law, many American organisations' serious efforts have been made in the organisation.

Codes may refer to general virtuous conduct or may apply to a specific area of the firm's business such as maintaining air quality in the vicinity of a factory. Does this ethical code work? Will they be helpful in conveying to the employees the moral standards selected by the executive board of directors and chairman? To some extent yes. The culture and beliefs of an organisation relate to the various stakeholders. The norms and constituent groups like employees, customers, suppliers, distributors' public etc. should know the significance of ethical practices and the consequences of not following, very clearly and explicitly.. Hence codes of ethics are usually written in clear terms, noting obligations to each of the groups directly or indirectly associated with the business organisation. The basic difficulty which arises with codes of ethics is that they do not establish priorities between the norms and beliefs. The priorities are the true values of a firm, and they are not included. In the codes of conduct, it is written in one section that we respect our employee's integrity whereas they may be asked to achieve their targets by hook or crook to maximise sales and thus the profits.

Surveys have been made by different institutions in various parts of the world to know how much percentage of the companies have adopted codes of conduct. These vary too much. For e.g. In UK, Abridge Management College conducted a survey and found that 43 per cent of its respondent companies had a code Institute of Internal Auditors in 1995, has stated the same as 70 per cent. An average of 60 per cent, some people feel. Similarly, the figure varies in USA between 50 per cent to 80 per cent. Some even feel it is even beyond 80 per cent is appropriate.

All these surveys depend on:

- (i) Population of companies surveyed.
- (ii) Their size (larger the firm, the more likely to have a formal code.
- (iii) The largeness varies from country to country, as the survey reported in 1991 by the Dutch employers association found that only 22 percent of the largest 100enterprises had an ethical code as against 35 percent in France, Germany and UK, to 85 percent in USA. Dutcher, to an extent found large companies (barring a few) in fact are comparatively small larger companies of other corporate countries.
- (iv) The American Marketing Association (AMA) in 1962 introduced a Marketing research code of ethics and was further introduced again in1972.

Codes only provide guidance. It cannot provide an answer to the unethical behaviour that occur. Even the guidance provided does not make the marketing researcher any more ethical.

It should be understood that the code only provides a broad, written frame work general, within which to determine when the behaviour of a researcher is within or out predetermined bounds. Codes of particular relevance to marketers are the code of ethics. of the American Marketing Association (AMA); the television of the national association of broadcasters (NAB) and the code of the National Association of Purchasing Agents (NAPA). A member's accountability to society as a whole, as well as to the organisation for which that person works.

In India, Indian Institute of Material Management has worked out a code of ethics which are to be followed by the purchasing people and to strictly adhere to the same. Indian Institute of Engineers has their own code. Even in India innumerable numbers of institutions have their own codes. Formal codes of ethics are only useful, if they are read. Organisations need to establish a candid, easily understood code.

Ethical codes are statements of the norms and beliefs of an organisation which are generally proposed, discussed, and defined by the middle and top level of the management in the firm and then published and distributed to all its members. Norms are standards of behaviour; they are the ways the senior people in the organisation want the others to act when confronted with a given situation. Normally, the norms in an ethical code are generally expressed as negative statements, for it is easier to list the things a person should not do than to be precise about the things a person should do. e.g. "Employees of our company should not accept personal gifts with a monetary value of over Rs.200 in total from any business friend. This instruction does not clearly state what are other the ethical practices expected by an employee while dealing with the client.

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## 2.8 MORAL RESPONSIBILITY

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There are many other questions and topics that should be taken up here, but we can deal with only one of them-that of moral responsibility. In one of our many kinds of moral judgments, we attribute moral responsibility to certain agents. There are at least three kinds of cases in which we do this

- (1) We sometimes say, in recommending X, that he is or is a person, meaning to say something morally favourable about his character.
- (2) We also say, where Y is a past action or crime, that X was and is responsible for it.
- (3) Finally, we say that X is responsible for Y, where Y is something. Here, saying that X is responsible in the first sense is roughly equivalent to responsibilities in the third sense; responsibility of this first sort is another of the second-order virtues we have abilities in the third sense is simply to say that he has obligations, either because of his office or because of his previous commitments to do certain things, and hence is a straight normative judgment of obligation. The most interesting new problem still to be done, meaning that he has the responsibility for doing it saying that X can be counted on to carry out his responsibility should try to cultivate. To say that X has certain responsibility comes up in connection with ascriptions of responsibility of the second kind.

Under what conditions is it correct or right to judge or say that X was responsible for Y? Saying that X was responsible for Y seems, at first, to be a causal, not amoral, judgment: and one might, therefore, be inclined to say that "X was responsible for Y" simply means "X caused Y" perhaps with the qualification that he did so voluntarily, intentionally, etc. But to say that X was responsible for Y is not merely to make a causal statement of a special kind. Neither is it simply a statement that X was able to do Y, as the "ible" ending suggests. Suffixes like "ible" and "able" do not always indicate ability. They may have a normative meaning.

Mill's critics have often criticized his argument that the way to prove something is desirable is to show just as the way to prove something is audible is to prove it is heard, quite rightly, that "desirable" does not mean "can be desirable" means "can be heard"; rather it means something like "ought to be desired." Similarly, it seems to me, to say that X was responsible for Y is to say something like "It would be right to hold X responsible for Y and to blame or otherwise punish him." Or, perhaps, saying that X was responsible for Y under certain conditions is simply one way of holding him responsible. In the former case, it is a normative judgment; in the latter, it is a kind of act, like making an assignment. In either case, it is not a causal statement even of a special sort. But in either case, we may ask under what conditions it is right to ascribe responsibility to X.

It seems clear at once that one of the conditions required is that X was able to do it and another is that he, in fact, did it (i.e., caused it voluntarily, intentionally, etc.). These are necessary conditions of his being responsible or being held responsible. Are they sufficient? Aristotle held, in effect, that an individual is responsible for his act if only if

(1) Its cause is internal to him, i.e., he is not compelled to act by someone or something external to him, and

(2) His doing it is not a result of any ignorance he has not brought about by his own previous choices. Then and only then can his action be said to be "voluntary." These two conditions are clearly among those necessary for responsibility; we may, in fact, understand them to be included in the second of the conditions just listed there any others? G. E. Moore, P. H. Newell-Smith, and others have held that a man is not responsible for an action unless he could have done otherwise if he had chosen to do otherwise or if his character and desires had been different.

This view is obviously correct; in fact, it is essentially a restatement of Aristotle's position. But it is compatible with determinism, for it is only that the causes of an action must be internal, not that the action must be uncaused. As far as this view is concerned, a man's choice .As far as this view is concerned, a man's choice may be determined by his own beliefs, character, and desires (which, in turn, may be previous causes), and yet be free and responsible. Many philosophers and theologians have thought, however, that this view satisfactory and that a man is not responsible for an action unless he not only could have done otherwise if he had chosen but also could have chosen otherwise.

Moreover, they argue, he could have chosen otherwise only if his choice was not simply the result of previous causes such as his beliefs character, desires, heredity, and environment. In

other words, they contend that moral responsibility is incompatible with determinism as it is usually conceived, and that "freedom of a contra-causal kind" is among the conditions of moral responsibility. This was Kant's view, and it has recently been forcefully defended by C. A. Campbell, from whom the words just quoted were taken, and R. M. Chisholm.

On the other side, some determinists have maintained not only that determinism is compatible with moral responsibility, but that moral responsibility presupposes determinism, and that it is really indeterminism that is incompatible with morality.

		Free Will	
		Free Will is impossible	Free Will is possible
Determinism	Physical Determinism is true	Hard Determinism	Compatibilism
	Physical Determinism is false	Hard Incompatibilism	Libertarianism

**Fig 2.3 Moral Responsibility**

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## 2.9 SUMMARY

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In this unit you learnt that Ownership of private property is necessary for exchange to take place. Freedom of choice in exchange allows the market to operate freely. Perfect information enables buyers to locate desirable goods and services in the marketplace so that they can exercise their freedom of choice. Private property is essential for exchange. High ethical standards promote performance of actions which protects the interest of society at large through business organisations. Also businesses that treat their employees with dignity

and integrity reap many rewards in the form of high morale and enhanced productivity. Personnel feel good for working in a company which maintains high levels of ethical standards and also feel protected along with general public. You also learnt that Moral standards provide tools for judging the moral value of a decision. Moral standards are the yardsticks of business ethics. They provide the basis for deciding whether an act is right or wrong. Consequentialist principles focus on the outcome of a decision. A decision is ethical or unethical based on the consequences of the decision. You also learnt ethical codes in business organisations existed even in the days when there were no innovations. In the recent years, all companies under SEBI purview have adopted the approach to corporate ethics. In USA, it has grown faster after the introduction of the federal declines, under which, in the event of criminal instance of a company code of events can be taken an indication that to ensure code of conduct. In order to improve standards of behaviour from the pressures of the law, many American organisations' serious efforts have been made in the organisation.




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## 2.10 GLOSSARY

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**Acceptable:** satisfactory and able to be agreed to or approved of.

**Accomplish:** to finish something successfully or to achieve something.

**Adequate:** enough or satisfactory for a particular purpose.

**Administration:** the arrangements and tasks needed to control the operation of a plan or organization.

**Agreement:** the situation in which people have the same opinion, or in which they approve of or accept something.

**Anticipate:** to imagine or expect that something will happen.

**Argument:** a disagreement, or the process of disagreeing.

**Aspirant:** someone who very much wants to achieve something.

**Business:** the activity of buying and selling goods and services.

**Capability:** the ability to do something.

**Critical:** saying that someone or something is bad or wrong.

**Chronic:** continuing for a long time.

**Competitive:** involving competition; wanting very much to win or be more successful than other people.

**Condition:** the particular state that something or someone is in.

**Consideration:** the act of thinking about something carefully.



**Contradiction:** the fact of something being the complete opposite of something else or very different from something else, so that one of them must be wrong.

**Contribute:** to give something, especially money, in order to provide or achieve something together with other people.

**Consequence:** a result of a particular action or situation, often one that is bad or not convenient.

**Continuum:** something that changes in character gradually or in very slight stages without any clear dividing points.

**Efficient:** working or operating quickly and effectively in an organized way.

**Eliminate:** to remove or take away someone or something.

**Embezzler:** to secretly take money that is in your care or that belongs to an organization or business you work for.

**Enforce:** to make people obey a law, or to make a particular situation happen or be accepted.

**Equate:** to consider one thing to be the same as or equal to another thing.

**Evaluate:** to judge or calculate the quality, importance, amount, or value of something.

**Experience:** (the process of getting) knowledge or skill from doing, seeing, or feeling things.

**Expertise:** a high level of knowledge or skill.

**Export:** to send goods to another country for sale.

**Extent:** the degree to which something happens or is likely to happen.

**Finding:** a piece of information that is discovered during an official examination of a problem, situation, or object.

**Goal:** an aim or purpose.

**Highlight:** to attract attention to or emphasize something important.

**Importance:** the quality of being important.

**Influence:** the power to have an effect on people or things, or a person or thing that is able to do this.

**Informal:** not formal or official; suitable when you are with friends and family but not for official occasions.

**Investor:** a person who puts money into something in order to make a profit or get an advantage.

**Justified:** having a good reason for something.

**Law:** a rule, usually made by a government, that is used to order the way in which a society behaves.

**Morale:** the amount of confidence felt by a person or group of people, especially when in a dangerous or difficult situation.

**Perspective:** a particular way of considering something.

**Pleasant:** enjoyable, attractive, friendly, or easy to like.

**Possession:** the fact that you have or own something.

**Potentially:** possibly.

**Pragmatic:** solving problems in a sensible way that suits the conditions that really exist now, rather than obeying fixed theories, ideas, or rules.

**Pretend:** to behave as if something is true when you know that it is not, especially in order to deceive people or as a game.

**Prima Facie:** at first sight (= based on what seems to be the truth when first seen or heard).

**Productivity:** the rate at which a company or country makes goods, usually judged in connection with the number of people and the amount of materials necessary to produce the goods.

**Proprietor:** A person who owns a particular type of business, especially, a shop, or a company that makes newspapers.

**Regulation:** an official rule or the act of controlling something.

**Relevant:** connected with what is happening or being discussed.

**Reputation:** the opinion that people in general have about someone or something, or how much respect or admiration someone or something receives, based on past behaviour or character.

**Stability:** a situation in which something is not likely to move or change.

**Stake holder:** a person or group of people who own a share in a business; a person such as an employee, customer, or citizen who is involved with an organization, society, etc. and therefore has responsibilities towards it and an interest in its success.

**Stringent:** having a very severe effect, or being extremely limiting.

**Supervisor:** a person whose job is to supervise someone or something.

**Transportation:** the movement of people or goods from one place to another.

**Utilitarianism:** the system of thought that states that the best action or decision in a particular situation is the one that brings most advantages to the most people.

**Verge:** the edge or border of something.

**Vis a vis:** in comparison with; in relation to.

**Whistle blower:** a person who tells someone in authority about something illegal that is happening, especially in a government department or a company.

**Yardstick:** a fact or standard by which you can judge the success or value of something.




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## 2.12 SUGGESTED READINGS

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2. Laura P Hartman Abha Chatterjee - Business Ethics (Tata McGraw Hill, 2007)
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4. Velasquez – Business Ethics – Concepts and Cases (Prentice Hall, 6th Ed.)
5. Reed Darryl – Corporate Governance, Economic Reforms & Development (Oxford).
6. Mathur UC – Corporate Governance & Business Ethics (Mc Millan).
7. Human Values By : Prof. A.N. Tripathi New Age International
8. Wisdom Leadership By : Prof. S.K. Chakraborty Wheeler Publication.
9. Corporate Governance2/e, MacMallin, OUP
10. The Management and ethics Omnibus- Chakraborty, OUP
11. Values and Ethics for Organizations, Chakraborty, OUP/OIP
12. Perspectives in Business Ethics, Hartman, Chatterjee



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## 2.13 TERMINAL QUESTIONS

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- Q1. 'Ethics is considered as everybody's Justice's. Do you agree? Comment.
- Q2. Have you faced any ethical problem in your life? Explain with examples any two of them.
- Q3. Explain the nature of ethics.
- Q4. Why are moral standards so important for business ethics?



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## UNIT 3 ETHICS AND BUSINESS SYSTEM

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- 3.1 Introduction
- 3.2 Objectives
- 3.3 Ethics (E) and Business system (BS)
- 3.4 Markets and Ethics
- 3.5 Environment and Ethics
- 3.6 Ethical trade
- 3.7 Consumer Production and Marketing
- 3.8 Importance of Ethics in the field of Finance
- 3.9 Ethical issues in the field of HR
- 3.10 Summary
- 3.11 Glossary
- 3.12 Reference/ Bibliography
- 3.13 Suggested Readings
- 3.14 Terminal & Model Questions

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### 3.1 INTRODUCTION

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In this unit we are going to learn about Ethics and Business System. It is very important to know that as how Ethics and Business System are related to each other. In this contemporary business world people are lacking ethics and there is no transparency as how these businesses are being carried out. Some people want to cheat and make quick money. The government should take some stringent steps to curb this unethical behaviour and guide them to the path of ethical standards. At the same time the government of India should change the business systems to eradicate unholy practices and punish those who are involved in fraudulent activities. The present unit is an attempt to move in this particular direction

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### 3.2 OBJECTIVES

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After completion of this unit you should be able to :

- Understand the relationship between ethics and business system
- Explain about consumer production and Marketing

- Know the relationship between ethics and other areas of business.

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### 3.3 ETHICS & BUSINESS SYSTEM

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E(Ethics) is a discipline that assumes the justifications people offer for the rules, principles and values they hold, justification attempts to draw a straight line, 180 degrees for the purpose of business and its dynamic nature to the values business leaders should hold, when business behavior violates values which connects with the purpose and nature of business, this behavior is unethical.

There are many such instances of unethical business practices around us, the irony is that the capable business leaders who made us proud by their leadership skills are involved in scams and unholy practices of conflict of interest and bought disrepute to themselves. One should be careful from these episodes of unethical malpractices and should not commit this type of business blunders because anyone who does or follow unethical standards is bound to fall down.

It is an increasingly complex world the ambiguity and diversity of situations has increased. As our information bases becomes more complex, decision making becomes increasingly hard. In such complicated and fluid situations there is a countervailing need for a set of guiding principles. The interests in business ethics may be related to recessions and their likelihood, and also to recent changes in Law.

The commitment to ethical behaviour needs to be supplemented by explicit teaching and the need to foster a business climate in which ethical behaviour is seen to be the norm. whistleblowing (ethical informing) is at the extreme end of the ethical spectrum. It is an action undertaken only in situations of ethical failure, or even a direct breach.

It is almost automatic for each one of us to lament these days about declining values, ethics, morals, etc., in society. By implication, unconsciously perhaps, each individual exempts him/herself from any responsibility for such degeneration.

The organization for Economic Co-operation and Development of advanced economies is tightening up its regulations against bribery in international business. But such corruption is not the whole or even the major part of the ethics script. More pernicious and devastating are the sly tactics used by big MNCs like Monsanto and many more in the field of bio-technology, or by those corporations engaged in armaments production in these countries.

E ( Ethics) of an organization's leadership consists of a set of values that the leadership has, among these values, business leaders should hold those particular values that are based in society's inclination for business. infact these values are regulating which implies a sort of contract between business and society for managers to offer the benefits for which society justifies the presence of the business system and moreover these values identify economic performance as a good that society wants and because they do, they impose requirements and set limits on leaders in their conduct of doing their business.

Many people claim that the values of business people are on a par with the general values in US (United States) culture, no better and no worse. If that is true, it's too bad, business leaders, should have more strongly held values than the rest of society.

Back home in India, some business leaders like Mehulchoksi, Nirav Modi and vijaymallya were so unethical as they left India after involved in some scams, for instance vijaymallya owes some 8000 crores to various banks in India and without clearing the loan amount he fled from India to United Kingdom, in the same way Nirav Modi and MehulChoksiinvolved in Punjab National Bank Scam, fled to Antigua island from India after committing the crime.

The government has set up a committee to identify measures aimed at stopping defaulting promoters from fleeing the country and avoid a high-profile repeat of departures such as those of Nirav Modi and Vijay Mallya, this will include a check on possible dual citizenship.

A loan default takes some time to evolve into a non-performing asset and it's even longer before any fraud is uncovered. Unethical promoters take advantage of this to leave the country before they are discovered

### **3.3.1 WITHIN THE COMPANY ITSELF**

Setting annual objectives for return on investment and appraising employee performance are of course two common practices in U.S. industry. some examples are here to discuss in relation to values for three reasons—first, because they are common practices, second, because both examples illustrate the structural, and sometimes obscure, ways in which management can hamper economic performance; and third, because, having faced first-hand some of the problems in these programs.

In India, the site inspection drive taken by the registrar of companies has uncovered thousands of companies that do not comply with the companies Act. In reality, there's no definition of a shell company in the companies Act. Based on the parameter of several companies with same address, Registrar of companies officials have listed 515 companies with the same address.

### **3.3.2 BUSINESS'S RESPONSIBILITY TO THE PUBLIC**

B (Business) cures all the problems in the society, some section of the people ask it in the cause of social perspective, for instance, to hire a person who is less qualified when good and hardworking qualified workers are available, to assist workers with PI ie.,psychological income from their hard work and to desist from doing business in apartheid

Some sections of the society demand that business internalize the costs of damaging the environment, their reasoning seems only straightforward and just: business laid the costs on the public; business ought to pay.

In reality the issue seems to be not as straightforward as it first seems. But the purpose for the business system and its public policy implementing this objective have to be taken into consideration. PE ie.,Public policy determines whether in a given case the environment needs some protection beyond the present standards. The world is facing a severe problem of

global warming and one can notice the changes in the climatic conditions throughout the world and in some parts of the world even ozone layer is being destroyed due to pollution but whatever public policy requires of business, business, of course, must focus on to reduce pollutants to meet the new standards, repair the damage afterwards, or pay higher taxes to compensate for the damage done.

Government should look on for the development of the human welfare they should encourage the businessmen to go for carbon tapping and give some incentives for them to prevent the damage to the environment. Societal marketing concept is the need of the hour as it focuses and expects some good to be done in this regard. Let us assume that if businesses are already looking to the requirements of public policy, one can conclude that, for that case and for the time being at least, society demands the social good of economic performance from business to the social good of decreased pollution and accepts the existing norms of pollution. If the business system nevertheless voluntarily internalizes the cost, it is depriving its members of value and vehemently conferring that value on a public that isn't directly a part of the system. Actually the society wants economic performance from business in a sphere it has defined by public policy, such a gift from management thwarts society's strategies.

People has to discuss what business managers must and mustn't notto do without thinking of what MF (Milton .Friedman) had said in the past. MF categorically disqualifies managers' taking social action on 2 grounds.

First, in complex situations, business managers will probably not know the correct action to take to achieve the "desired" result.

Second, by taking social action, managers would be acting as unauthorized civil servants. Because evidence all around us illustrates that not even the experts know what actions produce what results, agreeing with the first reason is quite enough. But because in a sense all citizens are public servants, the second reason is not so easy to accept. It is arguable that, in allowing and even nurturing the business institution, society commissions leaders to achieve its purpose.

MF (Milton Friedman) was right to disqualify managers from social action but not, I think, for the right reason. The right reason is simply that social action falls outside the economic sphere that society's public policy has assigned to the business system.

What business managers do, then, when confronted by demands for social action beyond the requirements of public policy is ethical matter for us. If in order to escape visibility managers yield to the pressures of social action interest groups and stray from the system's mission to deliver economic performance, they circumvent society's value that economic performance is good and desired in the given sphere.

Business Executives must not only lead their businesses; they must don the role of responsibility of leading the business institution. The economic results that society seeks from the business system require maximum benefits from minimum consumption of factor resources. But the activities of the business system unavoidably imposes the costs on society that add to the resources consumed and subtract from other social goods. Society, of course, is concerned with the overall good. By adjusting public policy, society continually strives to

optimize the balance between the net economic goods the business system delivers and the other social goods it desires.

BM ie., Business Managers should be concerned about whatever concerns society. And while they should not, in my view, make de facto public policy by unilaterally altering boundaries that public policy has set between economic and other social goods, their responsibility as leaders requires them to join with other social leaders in a dialogue to make public policy affecting business more reflective of the needs and desires.

Luckily, business is not a static institution as it evolves and develops. PE (Public policy) governing its operations sometimes fails to translate society's desires and must always reflect the societies interest. But, surely, if business leaders and the critics of business behaviour agree on the purpose of business and on the values that are rooted in that purpose, by listening to one another, they ought to be able to make business a better instrument for achieving its purpose.

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### 3.4 MARKETS & ETHICS

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*. Ethics is in origin the art of recommending to others the sacrifices required for cooperation with oneself." Bertrand Russell*

Since the publication of its Statement and Guidance on Anti-Corruption Practices in 2009, the ICGN has actively advocated the fight against bribery and corruption as a fundamental component of the corporate governance agenda. The Statement and Guidance takes a global perspective, making clear that anticorruption is a priority in all markets.

But is it appropriate to set the same standards for anticorruption in all jurisdictions, particularly in emerging markets, where many underlying conditions are different and where bribery and corruption are particularly acute in both the public and private sectors? This was the question posed as the main discussion point at ICGN's "Town Hall" meeting on business ethics in its June 2012 conference in Rio de Janeiro. Meeting participants, from a range of developed and emerging markets, expressed a resounding consensus that investors should *not* compromise their standards on anticorruption in emerging markets, even if corruption may be a more deep-rooted problem. However, while absolute standards on anticorruption should remain undiluted — beginning with a "zero tolerance" position — there may be different anticorruption strategies to apply in emerging markets, reflecting economic, cultural and legal differences.

According to the Tibetan spiritual leader Dalai Lama, when he was at IIM- Ahmedabad in the year 2008, was quick to remark that Marxist economy is much more ethical in approach than the capitalist economy of the western countries. Business Ethics was based on the foundation of a sense of responsibility and humility which the capitalist nations lack. Business or for that matter any other field, depends ultimately on the sense of responsibility and humility, which are the essence of Ethics. Ethics in business is dependent on selfless motivations that leads to creativity and ultimate profitability.

But it is to be noted that today's market environment is not in a good shade as many top business leaders are involved in fraudulent activities, in the past the famous episode of

Satyam computers was an eye opener which was unethical, actually Satyam's Rama Linga Raju wanted to acquire Maytas Infra on behalf of Satyam computers worth 8000 crores, in fact Maytas properties belong to RamaLinga Raju's Sons, shareholders were very much concerned by this act of Mr.Raju and by that time Raju was in deep trouble with the fall in the value of shares in the markets and finally it was criticised by different firms, stock market, government etc for indulging in immoral and illegal activities.

If the deal had gone through, the Raju family would have pocketed around \$ 1.3 billion of investor's money. such manipulations give a wrong impression and will have an impact on the whole industry, people are not going to trust anyone now, similarly in the early 1990's Harshad Mehta had a disgraceful fall after the securities scam involving Rs.5000 crore was unearthed. After MR.Mehta's death only criminal proceedings against him were scrapped civil proceedings however continue.

And the link of satyams move further , we notice the impact on Auditing firm, Price Water House Coopers, which audited the Satyam Computers, the falsification of accounts by Satyam for years together has put a question mark on its survival then. PWC has audited about 139 companies in India alone of this 97 were listed and 45 were part of BSE 500 index. A few of the companies are already reviewing their relationship with the audit firm. So it is clear from the above explanation that there is a link between markets and Ethics.

### 3.4.1 ETHICS MANAGEMENT AND ITS DISCLOSURES

**Disclosures will help the managers to stay alert and it stops them from doing something wrong , one should just not assume that by disclosing the standards the things will be set right, they should actually possess some ethics and moral values**

Industrialists in the emerging markets should demand more transparency on issues of conduct and policies on scams and corruption and as how these standards are enforced in the industry.

### 3.4.2 THE QUALITY OF THE AUDIT

The irony is the Auditors are resulting in fraudsters and are causing a havoc in the society, in the past it has happened so in the case of price water house coopers where they totally inflated the accounts of Satyam's computers resulting in the downfall of the company. Actually, the Auditors should be given lessons on moral issues so that they may not commit this blunder in future.

As users of financial statements, investors should expect auditors in emerging markets to demonstrate sensitivity to corruption risks when conducting audits. In particular western audit firms operating in emerging markets through partnerships with local auditors must prioritise the maintenance of consistent auditing standards between emerging and developed markets. But the irony is PWC – PRICE WATER HOUSE COOPERS belongs to western world, which is auditing more than 100 companies in India and is involved in Satyam scam back home in India.



### 3.4.3 FDI- FOREIGN DIRECT INVESTMENT

With most FII'S – Foreign institutional investors have portfolio holdings in emerging markets in listed equities, the influence of FDI- foreign direct investment can be even greater in terms of providing fresh capital and sources of employment in emerging markets.

It often happens that the foreign direct investors themselves are based in developed markets, and are held in the portfolios of institutional investors. As a result of it the investor engagement with investee companies are active in FDI and moreover in the FDI's one should thoroughly educate the importance of moral standards and Ethics, so that no one involves in malpractices throughout the world.

### 3.4.4 CREDITORS

*Actually the creditors are the most culprit in the business world , they just try to influence the borrower and charge very high rate of interest which is considered as one of the social evils.* Creditors should be given some lessons on ethical standards as not to impose very high interest rates. On the other hand Creditors are exposed to certain risk of fraud, bribery and corruption, particularly given that this can be difficult to legislate for in traditional credit analysis.

If companies in emerging markets appreciate that ethical management and anticorruption practices can be a factor affecting its credit rating (particularly if lacking), this can be an important motivator for standards to be raised.

### 3.4.5 PUBLIC POLICY ENGAGEMENT

Governments in emerging markets tend to welcome both portfolio and direct investment flows to provide capital for economic growth and development. Investors that provide this capital to emerging markets therefore hold a strong playing card to call for greater political will and for higher standards of enforcement on bribery and corruption, both in the public and private sectors. Investors need to communicate their concerns to governments about the negative economic effect of corruption on economic development, valuations, the cost of capital — and ultimately access to capital. Established initiatives, such as the Extractive Industries Transparency Initiative and the United Nations Convention Against Corruption provide useful global frameworks for progressing this dialogue in emerging markets.

A newer initiative — the World Forum on Governance (WFG) — housed within the Brookings Institution — focuses on a broad anticorruption agenda, including the tactic of a “road show” by major institutional and foreign direct investors to press the case with senior officials in key emerging markets. ICGN has been involved with helping to shape the agenda of the WFG, and helped to lead a pilot road show with senior Czech government officials following the WFG's meeting in Prague in December 2012. This could serve as a strategic investor initiative in other jurisdictions to allow for investors to express the urgency of higher anticorruption standards at the most senior levels in key emerging and transition markets globally.

Taking a stand against corruption in emerging markets will not be easy, nor will it offer instant gratification. But given the vast opportunities for growth, economic development and long-term returns for investors in these markets, the stakes are high. This requires a strong, and consistent, message by investors that high business ethics standards should consistently apply to emerging markets as much as they do in the more developed markets — as well as a pragmatic understanding of the challenges faced and the strategies that may have the greatest impact.

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## 3.5 ENVIRONMENT & ETHICS

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Environmental ethics take into consideration the moral obligations human beings have concerning the environment. Learn how environmental ethics and human values affect our ability to understand and solve environmental problems. Things like the Internet, a more globalized economy, and widespread changes in climate draw our attention to events happening around the world, and with this new awareness comes some ethical questions regarding the responsibilities humans have with respect to the care of the planet. In this lesson, we will discuss environmental ethics and human values and describe how they affect our ability to deal with the environmental problems that our world faces.

**Environmental ethics** is the philosophical discipline that considers the moral and ethical relationship of human beings to the environment. In other words: what, if any, moral obligation does man have to the preservation and care of the non-human world?

While ethical issues concerning the environment have been debated for centuries, environmental ethics did not emerge as a philosophical discipline until the 1970s. Its emergence was the result of increased awareness of how the rapidly growing world population was impacting the environment as well as the environmental consequences that came with the growing use of pesticides, technology, and industry.

Environmental ethics helps define man's moral and ethical obligations toward the environment. But **human values** become a factor when looking at environmental ethics. Human values are the things that are important to individuals that they then use to evaluate actions or events. In other words, humans assign value to certain things and then use this assigned value to make decisions about whether something is right or wrong. Human values are unique to each individual because not everyone places the same importance on each element of life. For example, a person living in poverty in an undeveloped country may find it morally acceptable to cut down the forest to make room for a farm where he can grow food for his family. However, a person in a developed country may find this action morally unacceptable because the destruction of forests increases carbon dioxide emissions into the atmosphere, which can negatively impact the environment.

Environmental ethics, along with human values, make for challenging philosophical debates about man's interaction with the environment. Water and air pollution, the depletion of natural resources, loss of biodiversity, destruction of ecosystems, and

global climate change are all part of the environmental ethics debate. And we see that within the discipline of environmental ethics there are tough ethical decisions humans must consider.

For example: is it acceptable for poor farmers in undeveloped countries to cut down forest to make room for farmland, even if this action harms the environment? Is it morally wrong for humans to continue to burn fossil fuels knowing that this action leads to air pollution and global climate changes? Is it ethically permissible for man to build a hydroelectric dam knowing that this will disrupt the migration pattern of certain fish, leading to their extinction? Does a mining company have a moral obligation to restore the natural environment destroyed by their mining techniques?



### *Check Your Progress- A*

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**Q1. What is the relationship between Ethics (E) and Business system (BS)?**

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**Q2. What is the link between Markets and Ethics?**

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**Q3. What is there any relationship between Environment and Ethics? Discuss**

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## 3.6 ETHICAL TRADE

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The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Our vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. The **Fairtrade** movement is a group of businesses claiming to **trade ethically**. ... It is shown that little of the extra paid by consumers for **Fairtrade** reaches farmers, sometimes none. It cannot be shown that it has a positive impact on **Fair trade** farmers in general, but evidence suggesting it harms others if presented.

Good Ethics is good business, consider, moreover, though there are many justifications for ethics in business, often the discussion returns to, well, returns – the business case for the return on investment. There is evidence that good ethics is good business ,yet the dominant thinking is that , if one can't measure it, it is not important. Consequently, efforts have been made to measure the bottom-line impact of ethical decision making, there is clear evidence that a good reputation gains a company more customers, better employees , more investors, improved access to credit and greater credibility with government. The difference between a company with ethical capital and one with an ethical deficit – perceived or real – can even determine their “licence to operate” insome emerging markets.

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## 3.7 CONSUMER PRODUCTION & MARKETING

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Marketing ethics is an area of applied **ethics** which deals with the moral principles behind the operation and regulation of **marketing**. Some areas of **marketing ethics** (**ethics** of advertising and promotion) overlap with media **ethics**. And **advertising** means a mode of communication between a seller and a buyer. Thus **ethics in advertising** means a set of well-defined principles which govern the ways of communication taking place between the seller and the buyer. **Ethics** is the most important feature of the **advertising** industry. Ethical **marketing** involves making honest claims and helping to satisfy the needs of customers. Besides being the right thing to do, ethical **marketing** can have significant benefits for your business. ... **Unethical marketing** activities, in contrast, can destroy your business's reputation and possibly lead to legal troubles.

Marketers should uphold and advance the integrity , honor and dignity of the marketing profession by, being honest in serving consumers, clients, employees, suppliers, distributors and the public and in the area of product development and consumer production , disclosure of all substantial risks associated with product or service usage should be mandatorily disclosed, the seller has a duty to provide a product with a level of risk no higher than they have expressly or implicitly represented to the customer, which the customer has freely and knowingly agreed to assume.

Manufacturers contend that consumers should bear more responsibility for product injuriesbecause the costs of placing full liability onto companies far outweigh the benefits. Si

Since the 1960s, there has been a steady increase of product liability cases. According to one study, 13,500 product liability suits were filed in federal court in 1986, compared to only 1,500 in 1974. Due to this barrage of litigation, the cost of doing business has risen dramatically. Insurance premiums have skyrocketed, where insurance is available at all. Manufacturers' legal costs have also soared: about 60% of the average corporation's litigation expenses today are product liability cases. The rising cost of product liability insurance and lawsuits has led, in turn, to great increases in consumer prices.

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### 3.8 IMPORTANCE OF ETHICS IN THE FIELD OF FINANCE

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General **ethical** norms encompass truthfulness, honesty, integrity, respect for others, fairness, and justice. They relate to all aspects of life, including business and **finance**. **Financial ethics** is, therefore, a subset of general **ethics**.

No discussion of the ethics of finance would be complete without consideration of the practice of insider trading. Ivan Boesky, in the 1980s, was sent to prison for the crime of insider trading. Ken Lay and his colleagues at Enron have been accused of insider trading. They allegedly dumped their stock, knowing of the inevitable downturn in the stock's worth, while encouraging others to hold on to it.

Back home in the past (2011) the market regulator, SEBI barred Mr. Anil Ambani led Reliance Infra and RNRL from investing in secondary market till 2012 besides imposing a charge of Rs. 50 crore for setting a probe into alleged unfair market dealing by the 2 firms.

One more story goes like this: SEBI in the year 2013 accused "Sahara of raising billions of dollars from small investors through an outlawed financial scheme and failing to comply with a court order to refund the money"

Similarly in the early 1990's Harshad Mehta had a disgraceful fall after the securities scam involving Rs. 5000 crore was unearthed and the Satyam's fiasco in the year 2009, when Mr. Raju has over "Several years, misled investors about the financial health of the company by showing inflated financial figures and reduced liabilities, actually promoters involve in unethical practices and enrich themselves at the expense of the shareholders"

Investors have lost faith in all the companies as experts failed to predict such frauds in reputed companies.

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### 3.9 ETHICAL ISSUES IN THE FIELD OF HR

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#### **Ethical Issues in HR–**

It is very sad to say that the business fraternity belonging to Human Resources are involved in various malpractices, for instance there are some people who recruit unqualified people just because they like them (nepotism). Nepotism is nothing but favouritism. Most of the organizations are following this unethical practice at the cost of the organization. Therefore the higher officials should take some stringent measures to curb this menace.

Of all the organisational issues or problems, **ethical** issues are the most difficult ones to handle or deal with. Issues arise in employment, remuneration and benefits, industrial

relations and health and safety. HR managers' role in the ethical conduct within an organisation can feed in at various points: in the nurturing of an ethical organisational culture; in the recruitment of staff who will set the ethical tone of the organisation and uphold its values and ethical climate; in the resolution of ethical conflict when it occurs; and in dealing with the aftermath of an ethical conflict. In this contemporary business world the role of HR has reduced to only two aspects i.e., recruiting and later on issuing pink slips. The higher officials should focus on this serious issue and expand the horizon of HR practices. At the end one should always follow ethical standards and raise the bar and embrace ethics and some moral values.

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### 3.10 SUMMARY

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Good Ethics is good business, moreover, though there are many justifications for ethics in business, often the discussion returns to the business case for the return on investment. There is evidence that good ethics is good business, yet the dominant thinking is that, if one can't measure it, it is not important. Consequently, efforts have been made to measure the bottom-line impact of ethical decision making, there is clear evidence that a good reputation gains a company more customers, better employees, more investors, improved access to credit and greater credibility with government. The difference between a company with ethical capital and one with an ethical deficit – perceived or real – can even determine their “licence to operate” in some emerging markets.

A newer initiative — the World Forum on Governance (WFG) — housed within the Brookings Institution — focuses on a broad anticorruption agenda, including the tactic of a “road show” by major institutional and foreign direct investors to press the case with senior officials in key emerging markets. ICGN has been involved with helping to shape the agenda of the WFG, and helped to lead a pilot road show with senior Czech government officials following the WFG's meeting in Prague in December 2012. This could serve as a strategic investor initiative in other jurisdictions to allow for investors to express the urgency of higher anticorruption standards at the most senior levels in key emerging and transition markets globally.




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### 3.11 GLOSSARY

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**Ethics :** E (Ethics) is a discipline that assumes the justifications people offer for the rules, principles and values they hold, justification attempts to draw a straight line, 180 degrees for the purpose of business and its dynamic nature to the values business leaders should hold, when business behavior violates values which connects with the purpose and nature of business, this behavior is unethical.



**Environmental Ethics** :Environmental ethics take into consideration the moral obligations human beings have concerning the environment. Learn how environmental ethics and human values affect our ability to understand and solve environmental problems.

**Ethical Trade:** The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Our vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. The **Fairtrade** movement is a group of businesses claiming to **trade ethically**. ... It is shown that little of the extra paid by consumers for **Fairtrade** reaches farmers, sometimes none. It cannot be shown that it has a positive impact on **Fair trade** farmers in general, but evidence suggesting it harms others is presented.

**Creditors.** The role that creditors can play is sometimes overlooked in terms of potential influence on emerging market companies. Particularly for closely-held companies where controlling shareholders do not wish to dilute their control through external equity offerings, debt capital can represent an important source of funding for emerging market firms. Creditors can and should leverage this influence through demanding high ethical standards of companies they provide credit to, whether in the form of loans or bonds.

**Public policy engagement.** Governments in emerging markets tend to welcome both portfolio and direct investment flows to provide capital for economic growth and development. Investors that provide this capital to emerging markets therefore hold a strong playing card to call for greater political will and for higher standards of enforcement on bribery and corruption, both in the public and private sectors. Investors need to communicate their concerns to governments about the negative economic effect of corruption on economic development, valuations, the cost of capital — and ultimately access to capital. Established initiatives, such as the Extractive Industries Transparency Initiative and the United Nations Convention Against Corruption provide useful global frameworks for progressing this dialogue in emerging markets.

**Business's responsibility to the public :**B (Business) is to cure many of society's ills. Its critics ask it in the cause of social action, for example, to hire less qualified persons when better qualified workers are available, to provide workers with psychological income from their work, to desist from doing business in apartheid South Africa, to internalize the costs of doing business, and so forth. For example, its critics demand that business internalize the costs of damaging the environment, their reasoning seems only straightforward and just: business laid the costs on the public; business ought to pay.



But the issue is not as straightforward as it first seems. Society's purpose for the business system and its public policy implementing this purpose have to be taken into account. Public policy determines whether in a given case the environment needs protection beyond the present standards. If it does, public policy also determines the form the protection will take. Whatever public policy requires of business, business, of course, must do: reduce pollutants to meet the new standards, repair the damage afterwards, or pay higher taxes to compensate for the damage done.

**Ethical Issues in HR** - Of all the organisational issues or problems, **ethical** issues are the most difficult ones to handle or deal with. Issues arise in employment, remuneration and benefits, industrial relations and health and safety. HR managers' role in the ethical conduct within an organisation can feed in at various points: in the nurturing of an ethical organisational culture; in the recruitment of staff who will set the ethical tone of the organisation and uphold its values and ethical climate; in the resolution of ethical conflict when it occurs; and in dealing with the aftermath of an ethical conflict.

**Public policy engagement.** Governments in emerging markets tend to welcome both portfolio and direct investment flows to provide capital for economic growth and development. Investors that provide this capital to emerging markets therefore hold a strong playing card to call for greater political will and for higher standards of enforcement on bribery and corruption, both in the public and private sectors. Investors need to communicate their concerns to governments about the negative economic effect of corruption on economic development, valuations, the cost of capital — and ultimately access to capital. Established initiatives, such as the Extractive Industries Transparency Initiative and the United Nations Convention Against Corruption provide useful global frameworks for progressing this dialogue in emerging markets.



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- Peter Singer “ Practical Ethics ” , Cambridge University Press, united states of America, 1979
- Laura P. Hartman, Abha Chatterjee, “ Perspectives in business Ethics, 3<sup>rd</sup> edition, The Mc Graw Hill companies, New Delhi, 2009.



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### 3.13 SUGGESTED READINGS

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1. Joseph Desjardins, “ An introduction to Business Ethics ” , Tata MC Graw Hill Education Private Limited, New Delhi, 2009.
2. SK. Chakraborty, D. Chakraborty, “ Human Values and Ethics – Achieving Holistic Excellence ”, The ICFAI University Press, Hyderabad , 2008
3. Ronald D Francis, Mukti Mishra, “ Business Ethics – An Indian Perspective ” The Mc Graw Hill companies, New Delhi, 2009.
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### 3.14 TERMINAL QUESTIONS

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- Q1. Explain the relationship between Ethics (E) and Business system (BS).
- Q2. Is there any link between markets and Ethics. Discuss
- Q3. Is there any relationship between Environment and Ethics? Discuss
- Q4. What is Ethics of Consumer Production and Marketing. Explain
- Q5. What is the importance of Ethics in the field of Finance. Discuss
- Q6. What is ethical issues in the field of HR.

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## **UNIT 4 PERSONAL GROWTH AND LESSONS FROM ANCIENT INDIAN EDUCATIONAL SYSTEM**

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### **4.1 Introduction**

### **4.2 Objectives**

### **4.3 Personal growth and Ancient Indian educational system**

### **4.4 Institutional Form of Education in Ancient India**

### **4.5 Advanced Learning Institute in Ancient India**

### **4.6 Method of Teaching in Ancient India**

### **4.7 Centres of Learning in Ancient India**

### **4.8 Personal growth and Human Science**

### **4.9 Human Values**

### **4.10 Human Values and Ethics**

### **4.11 Summary**

### **4.12 Glossary**

### **4.13 Reference/ Bibliography**

### **4.14 Suggested Readings**

### **4.15 Terminal & Model Questions**

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## **4.1 INTRODUCTION**

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In the previous unit we discussed about Ethics in connection with business system, in the present unit we are about to discuss the importance of personal growth and ancient Indian educational system. The world is fast changing and one should always strive to upgrade his/her skills to meet the challenges of changing dynamics of the business world. In this connection it is very essential to focus on personal growth and at the same time it is also imperative to focus on the ancient educational system in India. When it comes to Knowledge India always stood on the forefront because of its strong educational background.

In ancient India people used to focus on Vedas. Upanishads and Vedas play a significant role in imparting knowledge and wisdom. The vedic science consists of everything right from Astronomy to Medicine and much more. Indian sages played a important role in imparting knowledge in all these aspects. It was Aryabhata who contributed the numeric “zero” and the importance of zero is known to everyone. without “Zero” there is no computer science nor Mathematics. In ancient India Gurukuls played an important role, It was around 1500 BC, when the Aryans settled in Gangetic valley and more elaborate system of education got

evolved. and later on Institutional form of imparting learning came into existence in the early centuries of the Christian era.

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## 4.2 OBJECTIVES

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After completion of this unit you should be able to understand :

- understand the meaning of personal growth
- know the education system of ancient India
- Explain the institutional form of education system in ancient India

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## 4.3 PERSONAL GROWTH AND ANCIENT INDIAN EDUCATIONAL SYSTEM

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Personal growth involves the activities that enhances, fosters and develop talents to facilitate employability and contribute to the realization of dreams and aspirations. Personal growth is very important ingredient for making the things better and conquer the world. Therefore on should focus on improving skills. Personal growth is possible only when individuals maintain strict discipline and puts on lot of efforts, dedication and hard work and without these qualities personal growth is quite impossible.

India has a rich tradition of learning and education right from the antiquity. The excavation of the sites of Indus valley civilization has brought to our notice the prevalence of written script that suggests people of that time had sufficient knowledge and education must have played a huge part in shaping up their lives. Unfortunately, the script of that time has not been deciphered, so nothing can be told more about the education system prevalent during the Indus Valley Civilization.

It was around 1500 BC, when the Aryans settled in Gangetic valley more elaborate system of education got evolved. The Hindu religion also evolved at this time and the compilation of the Vedas took place. Initially the four Vedas were orally passed on from one generation to the other, but later they were written down. It was the knowledge of acoustics that enabled ancient Indians to orally transmit the Vedas from generation to generation. The Rig Veda, the main religious and socio-economic text of Hindus was written between 1300 and 1100 BC.

Institutional form of imparting learning came into existence in the early centuries of the Christian era. The approach to learning was to study logic and epistemology. The study of logic was followed by Hindus, Buddhists and Jains. In the field epistemology, Jains contributed the most.

Education in ancient India centred on three simple processes; Sravana, Manana and Niddhyaasana. Sravana was listening to the truths as they fell from the lips of the teacher. Knowledge was technically called Sruti or what was heard by the ear and not what was seen in writing was the essence of Sarvana.

The second process of knowledge was Manana that implies that the pupil has to think out for himself the meaning of the lessons imparted to him orally by his teacher so that they may be assimilate fully.

The third step was known as Nidhyasana meaning complete comprehension by the pupil of the truth that is taught so that he may live the truth and not merely explain it by words. In ancient India the objective of knowledge was that it must result in realization of truth. The admission was made by the formal ceremony Upanayana or initiation by which the pupil left the home of his natural parents for that of the preceptor to gain knowledge. In this new home he had a second birth and was called Dvijya or twice-born.

### **Here are few ways as one can stimulate personal growth.**

#### **1. Know yourself.**

Knowing oneself thoroughly is one of the important aspect in the horizon of personal growth as it boosts up the confidence levels and if individuals know their strengths they can achieve anything in this universe. Knowing oneself is not just like knowing one's likes and dislikes, it's all about knowing who you are as a human being . It is important to focus on one's life and as howthey behave and interact with other people. He /She should also know as what motivates them and at the same time what makes them unhappy and nervous. And it is also important to know one's preferences.

An individual who focuses on all these aspects will be a winner and go-getter with more confidence levels. One should expose themselves to outer world and learn some new things and one who ventures out he/she will be more confident and would become bold enough to conquer the worldand finally this kind of wisdom and knowledge can be owned if one looks and believes himself/herself in this infinite world and also there is a need to come out of the comfort zones. Therefore if one would like to achieve his/her goals first of all he/she should believe in themselves or otherwise they may not achieve anything.

#### **2. Good company and surrounded with intelligent and smart people**

It is very much imperative to be surrounded with smart and intelligent people because one will get a chance to improve themselves by learning from the learned people and at the same time he/she can observe them and boost up their morale.

One should look into their inner beauty and believe in themselves. If an individual is surrounded by smart and intelligent people, He/she can start seeing the world in a totally new perspective. One should always be with the people who believe in doing extraordinary things. Good company will always give positive results and at the same time one should be far away from wicked people because wicked people may discourage you. Hence one should always dwell with people of positive thinking to be successful in their lives.

#### **3. Get rid of people who discourage you.**

One important aspect to be noted is that people who would like to do great things should always get rid of the people who discourages them. One should be always be

far away from the people who discourage you in all your good initiatives, because that type of people did not taste any success in their real life, so one should be far away from this type of foolish people.

The people who may discourage you might be your close friends and relatives and it will become very tough for you to say no to them, but if you want to be successful you should get rid of these people or otherwise they ruin your life. Therefore there is a need to discard this type of people from your personal life.

#### 4. Some good things to follow.

Discipline in one's life will always help them to achieve their goals. If one would like to become successful in their lives they should always try to do some good things, like to put a lot of efforts and hard work and should always be positive minded and should possess the zeal to conquer the impossible.

Commitment always pays good results and moreover the individuals should possess firm conviction to achieve their goals. One should be away from social media because to accomplish their goals it is mandatory to be far away from internet as it will consume more time in discussing and thinking unwanted things or otherwise you should devote very less time and try to learn some good things online.

So one should always be far away from social media to accomplish things that are impossible and instead try to do some good things which helps you to prosper.

So, Finally at the same time one should know that Online is a very powerful medium therefore there is a need to use it wisely to the extent it benefits you but not for unwanted things.

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## 4.4 INSTITUTIONAL FORM OF EDUCATION IN ANCIENT INDIA

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The institutional form of education in ancient India played an important and pivotal role to boost up the education system and imparting self-discipline among the masses and at the same time it was considered as one of the important aspect in gaining knowledge and wisdom. The institutional form of education was first imparted through the Guru-Sishya system of learning. The training of the students took place at the home of a Brahmin teacher. The relationship between the student and the teacher was most important in shaping up the entire education process. In some texts, the teacher is depicted as the poor ascetic and it is the duty of the student to beg for his teacher.

In ancient India, the aim of education was to develop the pupil's personality, his innate and latent capacities as a process of one's inner growth and self-fulfilment. This view of education evolved its own technique, its rules, methods and practices.

The family functioned as a domestic school, an Ashrama or a hermitage. Here, the teacher's constant attention and personal instruction developed the mental faculties of the students.



The first lesson that was taught to the student was the performance of sandhya and also the reciting of gayatri mantra.

Education was treated as a matter of individual concern and not a method of mass production. The thinking principle or Manana Shakti was reckoned as most important subject of education in ancient India. The training of the mind and the process of thinking were essential for the acquisition of knowledge. Hence the primary focus of education was the mind itself.

The most important topic of Indian thought was Pramana or means of reliable knowledge. The Nyaya schools upheld four Pramanas – perceptions, analogy or comparison, word (Sabda), and pronunciation of Vedas as reliable knowledge. The Vedanta school later added one more to it i.e. intuition.

Ancient Indian education system postulated syllogism and recognized logic such as reduction and absurdum, circular argument, infinite regression, dilemma, and ignorance. There were not only two possibilities of existence and non-existence but seven according to ancient Indian education system and conceded that the world is more complex and subtle than we think.

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## **4.5 ADVANCED LEARNING INSTITUTE IN ANCIENT INDIA**

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There were special institutions for the promotion of advance learning and research in ancient India. These were called as Brahmana-Sangha or Congress of philosophers in the Rig Veda. In the Brahmana Sangha, academies, called Parisads, held learned discussions in refined Sanskrit to express their highest thoughts. In the Upanishads, there is a reference to the PancalaParisad in whose proceedings even kings participated.

The codification of Brahmanical philosophy was done under the direction of the master philosopher, Yajnavalkya, after elaborate discussion at the Brahmana-Sangha. There was equality between the sexes at the Brahmana-Sangha. The Rig Veda mentions women Rais called Brahmanavadinis participating in Brahmana Sangha. A lady- philosopher named Gargi was a prominent participant in the deliberations that finds special mention, besides men like UddalakaArni is also mentioned of taking part in the discussions.

Theses learning were also prompted by discussions at public meetings which were a regular feature of the rural life in ancient India. It was addressed by wandering scholars known as Carakas. These scholars toured the country to deliver public discourses and invited discussion with the local people.

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## **4.6 METHOD OF TEACHING IN ANCIENT INDIA**

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In ancient India the methodology of Learning was too good. The teacher would instruct handful of students seated on ground. At the beginning the main subject studied was to be the Vedas. For many hours daily students would repeat verses after verses of the Vedas till they attain mastery of at least one of them. To ensure correctness of memory, the hymns were taught in more than one way.



Soon the curriculum was expanded and six Vedangas were then taught - the performance of sacrifice, correct pronunciation, knowledge of prosody, etymology, grammar, and the science of calendar were the topics of study.

In the post-Vedic era, teachers often instructed their Brahmin students in the six schools of Philosophy. The writers of Smritis maintain that young women of upper class underwent this kind of training. Princes and other leading Kshatriyas were trained in all the manifold sciences to make them fit for government. Education was barred for the lower rung of the society and boys learned the trade through their fathers, while girls remain uneducated.



### *Check Your Progress- A*

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**Q1. Write a note on Personal growth and Ancient Indian educational system**

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**Q2. Discuss Institutional Form of Education in Ancient India.**

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**Q3. List the Advanced Learning Institute in Ancient India.**

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## 4.7 CENTRES OF LEARNING IN ANCIENT INDIA

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There were many places in ancient India that is associated with learning. Some of the centres of learning turned into towns and prominent among them were places like Varanasi, Taxila from the day of Buddha and Kanchi in the beginning of the Christian era.

Varanasi was famous for its religious teachings. At Varanasi there were about 500 students and a number of teachers. There were also universities at Taxila and Ujjain. They were centres for learning medicine, mathematics and astronomy. In the south Kanchi became an important center of learning. Then there was Vallabhi, Nalanda and Vikramashila.

Taxila was known for its secular studies. Some cities became renowned because of their teachers. Among the famous men connected with Taxila was Panini, the grammarian of the fifth century B.C. It is interesting to note that in Taxila even married people were admitted as students. A Jataka story tells of how a teacher of Taxila treated well the students who paid him money while keeping other waiting.

There were other learned persons like Charaka who was one of the leading authorities of Indian medical sciences. Kautilya, the Brahmin minister of Chandragupta Maurya was an expert in political science.

The ancient text Smritis maintains that a small number of students use to study under a single teacher; however this was not a rule. The whole establishment was maintained by charitable people. Ideally, the teacher took no fee, but the students repaid his debt by their service to the teacher.

With the advent of Buddhism in India many learning centers started to emerge to propagate the teachings of Lord Buddha. So, Let's have a quick look at various universities in India related to Buddhists school of taught.

1. Nalanda
2. Takshashila
3. Vikramashila
4. Pushpagiri
5. Somapura

### **Nalanda University:**

it was established in fifth century and is located in Bihar since very long time , dated, 427 BCE TO 1197 CE. It is totally related to teachings of Lord Buddha and moreover it is totally related to Buddhists school of Taught. Apart from Buddhists school of taught it also focussed on Medicine, Astronomy , Arts and many more things. The Nalandauniversity also established a very big library with some 9 million manuscripts. It is quite evident that the Mughals mainly BakhtiyarKhalji had destroyed the university and later on they destroyed many universities in India.

**Takshashila University:**

it was started somewhere around 2700 years ago, it was strongly believed that people throughout the world used to join the university to explore the treasure of knowledge. The university started launching many courses including vedas, agriculture, surgery, politics, astronomy and many more. The Takshashila university was considered as one of the world's oldest and biggest university. It mainly focussed on the teachings of Buddhism. Chanakya the brainiest persons of that time was a graduate of this great university

**Vikramashila University: VU**

VU Was started by none other than Dharmapala in eighth century. In those quite olden days there was a tough competition from Nalanda University. VU university was very famous and was blessed with thousands of students from all over the world.

**Pushpagiri University: PU**

PU was established in third century and it is also considered as one of the oldest universities in India. It was believed that the Chinese traveler Huiyen Tsang visited this university in 639 CE. Recently a few images of Emperor Ashoka have been discovered here and it has been suggested that the university was established by Emperor Ashoka himself.

**Somapura University: SU**

SU was once again established by Dharmapala in the early eighth century and was considered as a very big university with more than 27 acres of land. It focussed on the learnings of Hinduism, Buddhism and Jainism

All these universities are believed to have ended around 12th century. Some very prominent universities like Nalanda, Vikramashila etc were destroyed by Muslim invaders. The library of Nalanda was destroyed and burnt by Khilji's army. The destruction of these centres and other places across northern India was responsible for the loss of ancient Indian knowledge.

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## **4.8 PERSONAL GROWTH & HUMAN SCIENCE**

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Personal growth involves the activities that enhances, fosters and develop talents to facilitate employability and contribute to the realization of dreams and aspirations. I think most of the people have come across the term personal growth and astonished for actually what it mean ,PS - Personal growth is also meant as self-development and growth. Personal growth also refers to various techniques for improving one's habits, attitude, acts and his / her reactions.

### Few Examples of personal growth are as follows

- It is the management as how to control the anger.
- It helps one to overcome procrastination
- It helps one to overcome laziness
- It helps one to be more polite and disciplined
- It helps one to become more responsible towards his/her work.
- It helps one to learn new things and develop some new skill sets
- It helps one to change his/her mindset and last but not the least it also helps one to become more positive.

Enlightened PS - personal growth requires more and more motivation. The urge to improve oneself, and the eagerness to make some changes. One should also be willing to get out of the comfort zone, and requires to do something that are very tough to do, but for his/her own good, by doing so with open mind and the urge to gain knowledge also plays an important role.

PS - Personal growth is a process that starts from very early age and mostly guided by his/her parents, teachers, well-wishers and the environment where they are living. Moreover to gain the most of it, one should become aware of the process of the important aspects relating to PS and also know as what it is all about and take the right steps to grow and improve.

Occasionally, problems and difficulties act as triggers that awaken the urge to grow and learn to make changes in one's life. Sometimes people are inspired to take some steps toward personal growth after reading an inspiring book, watching a movie or reading about people who achieved success in their personal lives.

This often leads people to new paths, to making changes in their lives, expanding their knowledge and self-awareness, improving skills, and developing new ones

HS - Human **Science** is based on the premise that there is a spiritual dimension to reality which is the foundation and creative source of all that exists and that a progressive evolution in consciousness makes it possible for human beings to experience and express this spiritual dimension in their **personal** lives.

HS –The scope of Human Science is wide, it enables the individuals to study the biological, social and cultural aspects of human beings, important and Central topics of Human Science include the evolution of human beings and their individual behaviour, their molecular and population genetics, population growth and ageing, ethnic and cultural diversity and the human interaction with the environment, including conservation, disease and nutrition. The study of both biological and social disciplines, integrated within a framework of human diversity and sustainability, it enables the human scientist to develop professional competencies suited to address such multidimensional human problems.

*HS - human science corresponds to humanities and social sciences, & also includes aspects of psychology, statistics and also mathematics, as one of the key things and we are concerned with as how we gather information in our study of human behaviour. The following are some of the areas and subjects that fall under the human science -*

- a. Anthropology
- b. Human biology (dealing with our behavioural traits, and aspects such as the ecology of populations)
- c. Business studies
- d. Criminology
- e. Demography
- f. Development studies
- g. Economics
- h. Education
- i. Human geography
- j. Law
- k. Media studies
- l. Philosophy
- m. Political science
- n. Psychology
- o. Sociology

Clearly, trying to deal with all of these is going to take several lifetimes, so we need to narrow down what we can focus on. Many of them are sub-branches of others, so the list isn't as scary as it first seems. We will mostly consider sociology, then, with one or two references to anthropology, psychology, and economics. We can do this because many of the other fields share a similar methodology with these four, especially sociology.

The second part of its name is problematic, as many people do not consider it a 'true' science. The reason for this is that it relies on empirical observation to arrive at its findings, as opposed to the natural sciences, which are much 'stricter' in their use of observation backed up by rational theorizing.

This leads us to ask the most obvious question: are the human sciences really sciences? Beyond this, we need to consider the methodology involved in the human sciences (quantitative and qualitative data gathering) and the potential flaws inherent to it, the role of human sciences in improved society, and how the human sciences have evolved over time.

Thus the term is often used to distinguish not only the content of a field of study from those of the natural sciences, but also its methodology.

- **Hs- Human sciences** are typically interdisciplinary fields and as such are the combination of those sciences and disciplines that relate to typically human activity.
- **Human sciences** encompass social sciences and humanities , and art.
- Usually **Human sciences** are also understood to have extensions towards those applied sciences that pre-suppose a high degree of human interaction, like economics, architecture etc...
- (**HS**) **Human sciences** are usually not seen as a separate academic discipline although:  
Sometimes (**HS**) **Human sciences** are considered, more or less loosely, as a synonym to humanities
- In other contexts (**HS**) **Human sciences** are treated as a subdivision of e.g. philosophy or literature.
- However, the present category considers primarily the interdisciplinary aspect of (**HS**) **Human sciences**, as e.g. in socio-cultural anthropology.

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## 4.9 HUMAN VALUES

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Basic human values refer to those values which are at the core of being human. The values which are considered basic **inherent** values in humans include **truth, honesty, loyalty, love, peace**, etc. because they bring out the fundamental **goodness** of human beings and society at large.

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## 4.10 HUMAN VALUES AND ETHICS ACHIEVING HOLISTIC EXCELLENCE

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'values' influence both selection of goals or objectives ,and the choice of means adopted to achieve them.

“values” as inner tendencies can be either healthy or injurious,lofty or mean ,helpful or harmful. Here healthy ,lofty preferable values are called . “human values “[HVs].the opposite category of values is specially termed as” disvalues’[DVs]”.

Both HVs and DVs prevail within an individual. If the sum of hvs [HVs] is greater than the sum of DVs then that individual is regarded as a GHB .but if the DVs exceeds HVs then the person declines on the scale of GHB .what is true of the individual is also through of the family ,society ,etc., based on the above, values may be defined” thus ,

“ values are an enduring set of emotional or feeling –level dispositions in a person ; which [a] under pin the choice of his /her goals;and [b] determine the kind of means used to achieve those goals .

## **DIS-VALUES - [CAUSES OF UNETHICALITY]**

Greed envy

Vanity

Aggressiveness

Vindictiveness

Duplicity

Anger

Cruelty

Fear

Cunning

Hatred

Fault finding etc

## **HUMAN VALUES - ( CAUSES OF ETHICALITY )**

Contentment

Humanity

Gratitude

Sincerity

Reverence

For heartened

Faith

Courage

Tolerance

Honesty

Unselfishness

Self scrutiny

Compassion etc.

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## **4.11SUMMARY**

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Personal growth involves the activities that enhances, fosters and develop talents to facilitate employability and contribute to the realization of dreams and aspirations. India has a rich tradition of learning and education right from the antiquity. The excavation of the sites of



Indus valley civilization has brought to our notice the prevalence of written script that suggests people of that time had sufficient knowledge and education must have played a huge part in shaping up their lives. Unfortunately, the script of that time has not been deciphered, so nothing can be told more about the education system prevalent during the Indus Valley Civilization.

**Personal growth** : involves the activities that enhances, fosters and develop talents to facilitate employability and contribute to the realization of dreams and aspirations. Personal growth also refers to various techniques for improving one's habits, attitude, acts and his / her reactions.

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## 4.12 GLOSSARY

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**Enlightened PS** - personal growth requires more and more motivation. The urge to improve oneself, and the eagerness to make some changes. One should also be willing to get out of the comfort zone, and requires to do something that

are very tough to do, but for his/her own good, by doing so with open mind and the urge to gain knowledge also plays an important role.

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**Human Values** : Basic human values refer to those values which are at the core of being human. The values which are considered basic **inherent** values in humans include **truth, honesty, loyalty, love, peace**, etc. because they bring out the fundamental **goodness** of human **beings** and society at large.

Human values may be usually understood as those values , which nurture good human beings from within. If good human beings become scarce, then family, society, organization country, the world – all dwindle in respect of goodness.

To the common man, if not to scholars, the notion of goodness ( and its opposite ) is adequately familiar. Human values should be distinguished from other categories of values, example., economic values, political values, etc., the latter can be pursued while ignoring human values.

Values should be distinguished from valuables . The latter are external objects of want and desire. The former are stable inner dispositions. What is valued , at a given stage of mental development, may or may not be treated as such as one matures by age or experience. The tilt of inner dispositions may change – for good or bad. Values influence both selection of Goals or objectives and the choice of means adopted to achieve them.

**Human Science** : is based on the premise that there is a spiritual dimension to reality which is the foundation and creative source of all that exists and that a progressive evolution in consciousness makes it possible for human beings to experience and express this spiritual dimension in their **personal** lives.

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- d. Criminology
- e. Demography
- f. Development studies
- g. Economics
- h. Education
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- j. Law
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- m. Political science
- n. Psychology

### o. Sociology

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The second part of its name is problematic, as many people do not consider it a 'true' science. The reason for this is that it relies on empirical observation to arrive at its findings, as opposed to the natural sciences, which are much 'stricter' in their use of observation backed up by rational theorizing.

This leads us to ask the most obvious question: are the human sciences really sciences? Beyond this, we need to consider the methodology involved in the human sciences (quantitative and qualitative data gathering) and the potential flaws inherent to it, the role of human sciences in improved society, and how the human sciences have evolved over time.

**Institutional form of education in ancient India :**The institutional form of education was first imparted through the Guru-Sishya system of learning. The training of the students took place at the home of a Brahmin teacher. The relationship between the student and the teacher was most important in shaping up the entire education process. In some texts, the teacher is depicted as the poor ascetic and it is the duty of the student to beg for his teacher. In ancient India, the aim of education was to develop the pupil's personality, his innate and latent capacities as a process of one's inner growth and self-fulfilment. This view of education evolved its own technique, its rules, methods and practices.

**Method of Teaching in Ancient India :**The teacher would instruct handful of students seated on ground. At the beginning the main subject studied was to be the Vedas. For many hours daily students would repeat verses after verses of the Vedas till they attain mastery of at least one of them. To ensure correctness of memory, the hymns were taught in more than one way.

Soon the curriculum was expanded and six Vedangas were then taught - the performance of sacrifice, correct pronunciation, knowledge of prosody, etymology, grammar, and the science of calendar were the topics of study.

In the post-Vedic era, teachers often instructed their Brahmin students in the six schools of Philosophy. The writers of Smritis maintain that young women of upper class underwent this kind of training. Princes and other leading Kshatriyas were

trained in all the manifold sciences to make them fit for government. Education was barred for the lower rung of the society and boys learned the trade through their fathers, while girls remain uneducated.



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## 4.14 SUGGESTED READINGS

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## 4.15 TERMINAL QUESTIONS

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- Q1. What is Personal growth & discuss few Lessons from ancient Indian educational system?
- Q2. Explain the Institutional Form of Education in Ancient India.
- Q3. What is Advanced Learning Institute in Ancient India?
- Q4. Explain the Method of Teaching in Ancient India.
- Q5. What are considered as the Centres of Learning in Ancient India?
- Q6. What is Personal growth & Human Science?
- Q7. What are Human Values?

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## UNIT 5 INDIAN ETHOS: NEED, PURPOSE AND RELEVANCE

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### 5.1 Introduction

### 5.2 Objectives

### 5.3 Concept of Indian Ethos

### 5.4 Need and purpose of Indian Ethos

### 5.5 Relevance of Indian Ethos

### 5.6 Foundation concepts and Theories of Indian Ethos

### 5.7 Indian Management model's superiority

### 5.8 Summary

### 5.9 Glossary

### 5.10 Suggested Readings

### 5.11 Terminal Questions

### 5.12 Cases/ Caselets /vignettes

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## 5.1 INTRODUCTION

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Management principles are positive and universal in character. Management functions consist of planning, organizing, leading and controlling. This is true all over the world. From this view point, management is a science. But managing is an art. Practice of management is influenced by country or region – specific environment – social, cultural, economic, political, technological and legal. This has led to the country or region specific management like western management, American management, British Administration, European management, Japanese management. Every such management is founded on its own culture of specific ethos and values. Indian culture is one of most ancient cultures of the world. Therefore, it is essential to know about Indian Ethos.

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## 5.2 OBJECTIVES

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The study of this unit is expected you to be prepared to meet the following learning objectives:-

- Understanding concept of Indian Ethos.
- To explain its need.



- To explain its limitations.
- To understand and explain foundational concepts and principles of Indian Ethos.
- To compare Indian Management model with western Management model.
- To understand and explain superiority of Indian Management

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### 5.3 CONCEPT OF INDIAN ETHOS

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Indian Ethos is the set of concepts derived from Indian scriptures or shastras which are integral part of Indian's ancient heritage, history, anthropology, sociology, economics, Ramayana, most of saintly literature of Tulsi, Dadu, Nanak, Kabir, Jain Agans, Buddhist literature, 39 smritis (main Manusmriti and yagvalkyas smritis) purva mimasa, uttarmimansa, kautilya arthshastra, Chanakya Niti, Chanakya sutras, shukraniti, Brishaspati Niti etc. Bhagwadgita is the best exposition of vedantic philosophy. Ramcharitramans of Tulsidas presents essence of shruti, smriti, nigam, agam, purans in Hindi poetry from which has long lasting effect on Indian mass ethos.

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### 5.4 NEED AND PURPOSE OF INDIAN ETHOS

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#### **(1) To build Indian Management Model**

After sub-prime crisis in the USA and consequent global economic crisis in Europe and other countries of the world, serious doubts have been raised on sustainability of western management model. The world is in search of an alternative model of management. This alternative may be provided by Indian management. For building of this model of Indian Ethos and establish their comparative superiority as an alternative to western Ethos on which western model of Management is based.

#### **(2) To make Indian Students and Practitioners more effective managers.**

Management students and practitioners having knowledge of Western management only will face several difficulties in managing Indian organization if they are not well – conversant with Indian Ethos. Knowledge of Indian Ethos will improve their capability to manage Indian people and Indian Organizations.

#### **(3) To improve effectiveness of management of foreign multinational corporations operating in India.**

As part of 'make-in-India' policy of government of India several foreign multinational corporations are attracted to make foreign direct investment in manufacturing sector in India. Knowledge of Indian ethos will help them in improving their management effectiveness in taking workforce. Several costly managerial blunders may be avoided specially in marketing and human resource management, communication, etc.

**(4) To improve managerial capability of expatriate managers working in India.**

Now Govt. of India has allowed entry of managers of foreign origin in Indian companies, several expatriates are working as managers in India .companies several expatriates are working as managers in India. They can work more effectively as managers if they have knowledge of Indian ethos. Otherwise cultural gap or mismatch may spoil their chance of success in India.

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## 5.5 RELEVANCE OF INDIAN ETHOS

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The world is facing global economic crisis due to greed and selfishness of individuals occupying top positions. Competition for material progress has led to conflicts leading to stress and collapse. The big question arises what is the main mission of human life? To find answer to this basic burning question we have to probe deep into Indian Ethos. Can competition lead to peace and harmony in lives of individuals? Is material growth without spiritual development good for human life? What can make growth sustainable? There can be long list of such question which may be answered by knowledge Indian Ethos.

Relevance of Indian ethos for contemporary world has to cross a few obvious barriers. There is lack of unanimity on certain issues like which is the top or supreme Dharma (duty)? There is also popular perception that idealistic concepts given by rishi munis lack applicability in practical life where nothing succeeds like success. Short term success can't be sacrificed for long term success. In the long-run we all are dead. We have to survive and grow in short-run also. When society puts premium on material richness only, what purpose spirituality will serve ? When we observe corruption as culture, how an honest person will survive in such an environment? These controversies are to be resolved.



### *Check Your Progress- A*

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#### **Q1. What is meant by Indian Ethos?**

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#### **Q2. What is the need for Indian Ethos?**

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## 5.6 FOUNDATIONAL CONCEPTS AND THEORIES OF INDIAN ETHOS

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### 1. Concept of theism :

Always have trust in God. Worship and pray to him. Do duty as work of God. Offer fruits of your duty to him. Accept the outcome as his will with an even mind.

Trust or faith in God saves one from stress, anxiety, tension, depression, conflicts, etc. God fearing attitude saves one from committing sins or avoiding duty. Worship is performed by individual / community, Prasad is distributed, events are celebrated, donations are made for poor and destitute. Temple is found in or around a workplace. It affects organizational culture and climate. Demand for pooja services, material, eatable, gift articles, statues and photos provide business and employment to large number of people. Spiritual discourses are organized to purify minds of individuals

### 2. Theory of karma :

It is given in third chapter of Sri Bhagwadgita. Briefly stated , none can remain without doing Karma. Sakam karma attracts punya or paap. Nishkam karma gives emancipation or mukti. It makes you a karma yogi and helps in attaining excellence in performance. Excess of punya grants heaven and excess of paap (sinful conduct) compels one to go to hell. Our past karmas are responsible for our present position and our current karmas will make our destiny. What we sow we have to reap.

Karma is classified into three groups.

#### (a) **Rit karma or akarma** :

Action mandated by shastras (or law / code of conduct) performed without any selfish motive and ego of 'I' as doer. Such karma leads to happiness and peace. No rebirth, no paap-punya will be attracted. Merits and demerits of duties and their comparisons are not discussed. Duty is Dharma.

A leader should be a role model to inspire his people to their duty as rit karma or akarma.

Practice of this concept of karma will make best workethics , best productivity , excellence , peace and harmony in an organization.

#### (b) **Purt karma** :

Action mandated by shastras done with worldly desires. It attracts punya and leads to heaven for a certain period. Then rebirth with good destiny. Construction of social assets like temple, park , well , dharma shala , etc take place due to purtkarma.

#### (c) **Vikarma**

Actions prohibited by shastras are called ‘vikarama’. Examples are anger, envy, greed, lust, attachment driven sinful acts. These attract ‘pap’ and lead to hell and rebirth in lower yonis.

Theory of karma if properly understood and implemented, a person will do his designated duty excellently and avoid doing sinful or criminal acts.

### **3. Preya – shreya Doctrine:**

Preya means dear immediately but not beneficial and Shreya means beneficial in the long-run, but not dear in short-run. For example, untruth may be dear in the short-run but it has legal consequences of fraud and cheating which are punishable crimes. Shreya is truth which may cause loss of opportunity immediately but is beneficial in the long-run as it will keep one free from anxiety and fear of legal consequences.

Shreya always grants sustainable growth, peace and happiness. Hence it must be preferred.

Preya to be avoided are desires, greed, lust, envy, anger, attachment etc. Shreya to be preferred are detachment, contentment, truth, non – violence, no anger or peace, non-accumulation and non usurpation of other’s wealth.

### **4. Concept of yonis**

There are 84 lakh yonis . Human yoni is the best which is given by the grace of God. It is a door to heaven, hell and emancipation. It is a choice of an individual. Every human being is a potential God. One can attain status of God by internal purity and detached karma. Desires and balance of good or bad karmas lead to rebirth. Good karmas and bad karmas can’t be set off. These are to be consumed separately.

Yoni and destination are determined by the state of mind just at the moment of death. The state of mind is formed by our karmas done during life time. Satvik state of mind leads to heaven, rajsik state of mind takes to hell. If state of mind is beyond three gunas (trigunateeta), it grants freedom from rebirth or takes to Vaikuntha.

Concept of yonis also has significant implications on individual behavior, group behaviour, organization culture and climate, performance, etc. It acts as a psycho-philosophical self-control point.

### **5. Guna concept**

Guna are of two types – sadguna (divine attributes) and avguna (demoniac attributes). Sadgunas make you gentleman and avgunas make you bad person, demon or raksha. Sadguna are real assets of a nation and avgunas are its liabilities or burden. The whole universe is a mix of the two. Change in gunas is possible through prayer, true repentance for sins and firm resolve not to repeat them.

Managers should realize that none is 100% pure in this world. He should identify sadgunas, nurture them and use them but tact fully keep avgunas of people under control.

Don't harp or publicise avgunas of your people. Some jobs need avgunas also. Make proper matching of jobs with gunas matrix.

## 6. Triguna Theory

The whole nature is made of three gunas in various proportions. Three gunas are –

### (a) Satvaguna

Purity, detachment, peace, holism, light, knowledge.

### (b) Rajogun

Action, conflict, competition, fear, threat, stress, segmentation, debate, comparisons.

### (c) Tamogun

Ignorance, darkness, reverses knowledge (bad as good and good as bad), idleness, and procrastination.

Gunateeta is one who is above all the three guna attachment. He leads life as a witness and attains moksha.

Different combinations of gunas are required for specific jobs. Matching of triguna degree combinations be matched with job requirement. For example police, military, security personnel need a combination of Rajogun and Tamogun but a teacher must have a combination of high degree of satogun with low degree of rajogun.

Satogun domination means self actualization, concern for others and low level of ego. His active body is causal body or intuition. His concern is for mission. His motivation factor is intelligence. He is ethical, law abiding and moral. Minimum degree of external supervision and control is required. He is wisdom and devotion oriented. He takes interest in creativity. He focuses on holistic approach. His attitude to work is accountability for team work. Such a person is fit for top leadership position.

A rajogun dominant person has high ego, micro body (mind) state, a concern for God, his action is forceful, excessive and a moral. Medium degree of supervision and control is needed. He is action oriented, competitive, individual achievement driven. He focuses on self-development and needs independent responsibility. He is fit for middle level position.

A tamogun dominated person has low level of social concern, physical body state, target oriented, material incentive needs, action has to be forced, immoral, needs close supervision and control, inaction-ignorance oriented, interested in avoiding work, focused on spot and less work more gain attitude to work. Such a person is fit for lower/operating level work.

## 7. Four Purusharthas concept

There are two concepts

### (a) Chaturvidh Purushartha Concept:

Dharma, artha, karma and moksha are four purusharthas (objectives) of human life. Dharma is not religion. It simply means duty or ethics. What should we do and what we should avoid to do. General Dharma as defined by Manu is 10 point Dharma including contentment, truth, purity, asteya, aparigraha non-violence, non-envy,

detachment, non-ego, simplicity. Ved Vyasa gives a practical concept of Dharma. He says, you do to others what you like others to do to you and you avoid doing to others what you don't like others to do to you. Thus, excess of selfish desires, greed, lust, anger and violence, falsehood (deception, cheating, fraud), envy, jealousy, attachment, ego or arrogance, usurping other's wealth and woman must be avoided in life.

Artha means wealth and resources. Earning wealth and commanding wealth and resources is welcome provided if it is earned without violating Dharma or ethics and we don't develop attachment to it. Artha or material resources are not permanent or imperishable. None can be happy with them. Chanakya says that wealth earned unethically (bribe, corruption, cheating, fraud, usurption, exploitation) can be with you for maximum 10 years.

Kama (sex, material enjoyment through consumption) is third purushartha of life. It must also be regulated by Dharma or ethics. Artha and kama both must be bounded by Dharma. Earn ethically and consume ethically. Save and invest wisely Dashansha principal recommends that 10% of income be donated for charitable purpose. Interest should not exceed 15% p.a. as per Manu. About 25% of income be saved as per Shukra niti. There must be detachment in kama/consumption also. Unrestrained kama without resources or leveraged consumption creating debts without repayment capacity must be avoided. Extra – marital relationships must be avoided.

Moksha or freedom from rebirth or emancipation is the ultimate goal of human life. We must be free from selfish desires, anger, greed, lust, envy, violence, attachment and ego and attain mukti during life time also.

**(b) Trivarga Concept :**

Dharma, artha, and karma are three purusharthas of human life. Moksha is the outcome of trivarga, i.e. artha and kama both bounded by Dharma in our life. No separate efforts need to be made for attaining moksha.

Swami Vivekanand has put mission of human life as:

**“Atmano moksharthe jagat hitay c”**

Achieve moksha for your self by doing good to humanity.

We should maintain fine balance between various purusharthas of our life. Extremism and imbalance must be avoided. If we are ethical but shun artha and kama, then moksha can't be attained. Ego of dharma will lead to our downfall. If we are rich but miser and avoid kama/consumption and donation, then also we will not be able to attain peace and moksha due to our attachment to wealth. Hence, leading a balanced and harmonious, inclusive life attaining four purusharthas is recommended.

## 8. Mind management / self management

Indian philosophy stresses upon management of self – management of mind and soul and firmly believes that it is an essential or basic ingredient of sustainable management. One who can't manage self can't manage others.

Mind is internal software consisting of four elements – mind, intellect, concentration and ego. It is afflicted by any one or more of six vices, i.e. desire, anger, envy, greed, ego, attachment etc. it becomes volatile or unregulated due to this. It leads to unwise decision, lack of concentration bad intellect and ego driven conflicts and stress. Such a mind becomes our worst enemy.

Mind can be our best friend if it has pure intellect (pragya, sumati), pure mind (suman, aman, naman,) pure concentration on mission and simplicity (free from ego and arrogance. Then decision by such a pure mind will be based on wisdom and ethics rather than emotions and heuristics. (prenotions). Such a pure and regulated mind is our best friend. Then we can easily realize self (at man/ God) and its immense power. Our life will become full of peace, happiness, harmony and bliss. Soul as witness will guide us on ethical path. Voice of self can be heard and we will be able to communicate with self.

Mind has two compartments – left or male or rational, rule- oriented, discipline, productivity orientation, and right or female, caring, team work orientation. Any imbalance in relationship and performance leads to poor management. Indians practice Namaskar with folded hands close to chest. This helps one in balancing two compartments of mind and regulating speed of heart beats.

Thus, the concept of total quality mind means internal purity, balancing of two compartments and self-realization full of extra-ordinary power of soul. Such a person is a wise decision maker, ethical, law-abiding, best performer and enjoyer of eternal peace and happiness. Self – control and self-discipline are his hall marks.

Brain stilling means cleaning brain of all good and bad memories, desires, etc. This must be practised daily for about 30 minutes. It will improve quality of your mind. It is called Shoonya Chitta state.

Patanjali Ashtanga yoga is also very helpful tool of self management. It regulates mind also. Ashtanga are yama, niyama, asana, pranayama, pratyahar, dharna, dhyana and samadhi . Pranayama makes us disease free and dharna- dhyana or meditation improves our power of concentration. Yama-niyama makes us ethical and asana brings physical body control. Pratyahara develops sense of self-introspection and correction. All the eight leads to chitta vritti nirodha and enjoyment of peace and bliss.

## 9. Sanskaras :

It is believed that by birth some seed and womb impurities come with a child. 16 vedic sanskaras are main. By performing these sanskaras these impurities are removed and a child becomes ' dvij ' or cultured. These sanskara are garbhadhana, Naamkarna, katiparivartan,



nishkraman, Annaprashan, Chuda karma (mundan) , karnavedha, upanayan (janeu), vidhyarambha, dikshant, vivah, Antyesthi and uttarkriya.

All sanskaras involve visit of relatives and friends, yagna and puja, common feast and gifts / donations. Big customary demand potential is there. This has implications for operations, marketing, human resource management and financial management, transport, textiles, grocery, hotels, mandap service, jewellery, gift articles, invitation card design, printing, postal/communication businesses.

#### **10. Family concept / system:**

Family concept system is unique sociological institution. There are three types of family systems

##### **(a) Hindu jointer / undivided family ( HUF) :**

It is headed by the senior most male member with his younger brothers, their children etc. He is called 'karta' or Head. There is joint family property. Every member has coparcenary interest in HUF property. But right to demand partition of HUF property vests in male member only. There is common roof and common kitchen for all members of family.

HUF is a separate tax entity under direct tax laws. Members may get salary for managing HUF business which is tax free income in individual members' tax assessment.

About 80% Indian companies are promoted, managed, controlled and governed by such families. If family is managed well, the business runs smoothly. But if HUF is not a harmonious unit and partition and succession conflicts crop-up, it has adverse effect on management and sustainability of HUF business. Family values have effect on business values also.

Several organizations are managed by family style of management. CEO as Karta and all employees considered as members of family.

##### **(b) Extended Family :**

It includes Kith and Kin ( blood relatives ), caste men etc. Mostly key positions in a family owned business are occupied by family and extended family members. Equal opportunity in employment, promotion and salary and wages decisions is missing.

There are several Indian terms which don't have their English equivalent terms. Examples are sasur, saas, sala, Sali, damad, bhabhi, mami, chachi, chacha, mama, tau, tayi, bua, phoopa, etc

##### **( c ) Nucleus family:**

It consists of husband, wife, and their children. HUF is partitioned. Such families have no grandparents and cousins. If husband wife both are employed, then they face tough problems of children management and work life balance problems. It has led to emergence of Double Income no child (DINC) families.

Type of family has significant implications for marketing, H.R., tax planning legal profession, fast food restaurant, ready to use/eat packed food, spices, white goods, finance and investment, travel and tour industries. It impacts corporate governance also.

### **11. Fairs and Festivals, events etc.**

India is a multi cultural, multi religious, pluralistic secular society. Religious tolerance, fundamental right to practice own religion, respect for other religions are hall marks of Indian constitution. Big fares like kumbha and urs are to be organised on certain dates on the basis of moon and other planets combinations. The whole state resources are deployed and local holidays are declared. These are big marketing events.

Birth and deathdays of leading political figures, religious figures are celebrated and holiday is declared. Some are national level festivals like Diwali, Buddh purnima, Mahavir Jayanti, B.R. Ambedkar jayanti, Gandhi – Nehru birth day and death days, Ram Navmi, Krishna Janmashmi, etc. All religious communities are to be satisfied.

Several inter-national, national and regional events, fares etc. are also organised. These have significant implications for businesses and their management.

Such events are exit vaults for stress. People enjoy these events and reengineer themselves physically and spiritually.

One very potent marketing tool is ‘Gurupushya’ combination. It is considered to be rare day for buying gold, silver, jewellery, utensils, automobiles, house, etc.

Similarly, chaturmas (rainy season), eclipse of Venus cause off season for marriages and other vedic sanskaras. It affects market demand adversely.

### **12. Savabhava based varnas :**

Individuals are classified into four varnas on the basis of their svabhava ( nature or attitude ) . These are Brahmin, Kshatriyas, Vaish, shudras (skilled workers, support services). Varnas have their mandated duties svadharma. For example, Brahman is one who acquires knowledge of shastras, practical ethics and then instructs others on ethics. Kshatriya has to govern, administer, control, protect ( internal security and defence and dispensation of dandaniti or law and justice) and also to ensure growth, fair and equitable distribution of wealth and income. Vaish has of manage agriculture, business, banking and finance, protection of cattle. Shudras or employees have to render support services to all the three varnas.

Varna system is a scientific basis of division of labour. Now we talk about matching of jobs with competence and attitude.

### **13. Ashrama System :**

Human life is divided into four Ashramas in sequence and almost equal time duration. Education period is of about 20 years from 5 years of age to 25 years. Here one must

observe celibacy and discipline to acquire knowledge – para and apara vidya both from a competent guruji / acharya. Then 25 years are for household or married life to repay debts to rishis, divines, pitras, nature and society. Third phase of life is called vanprastha. It is of 25 years duration. Last phase is of sanyas from 75 years age onward till death. One has choice to live in family also with detachment, contentment, peace and harmony to attain Moksha. Scriptures lay down specific ethics for each ashrami. Smritis and shrutis mandate ashrami. Smritis and shrutis mandate as ashrami ethics / dharma or dutes.

Household or grishtha ashramis considered the best. It gives support to all the three other ashram people.

In case there is any differences between Shruti and Smriti regarding varnashram Dharma, the shruti shall prevail.

#### **14. Holism:**

The principle of holism has the following dimensions:-

- (a) Purity of thought, speech and action. That is vichar shuddhi or positive thinking, vacan shuddhi or non-violent communication and karma shuddhi or purity of action (practice of ethics and virtues, legal compliance and moral compliance.
- (b) There must be no gap between our thought, speech and action. It is called ‘integrity’.
- (c) Our decisions must be based on integration of economic performance, legal compliance, ethical, conduct, discharge of social responsibility to natural environment and society. It is called inclusive 4 dimension growth.

#### **15. Intuition:**

Intuition means sixth sense, atenderiya power or anterpragya. Every individual has three levels-

##### **(a) Bottom level:-**

At this level natural aptitude resides. This is unconscious. It is basis for 90% of human life. It is animal level. It can't be suppressed but make friendly with it. Then infinite power of intuition can be experienced.

##### **(b) Middle level:-**

At this level intellect resides. It is conscious. Even intelligent persons use only 15% of their intellect. We cannot increase intellect but we can improve it through better usage of our bottom level, unconscious aptitude.

##### **Top Level:-**

At this level intuition resides. This is supra conscious state. When unconscious aptitude is raised to this level, the shower of bliss starts. This happens at its own. Then infinite power of intuition is experienced.

These are acquired by birth. These can't be learnt.

Natural aptitude is under control of unconscious being wherever intuition is in the hands of supraconscious world. In some respects intuition is contrary to aptitude. Aptitude carries you to others. Its satisfaction depends on others. As against this, intuition takes you to yourself. It is independent. It can take big leap forward. It is not fit for scientific and logical analysis. It can see/foresee things and events. You really become super human when your intuition is activated.

If you want to develop intuition, you don't use your mind and intellect, chitta, ego, etc. You may or may not be successful but you can enjoy bliss. Thus intuition is not a part of mind. It is close to soul and part of supra conscious being.

Those who have internal purity of mind, intellect, concentration and ego, they reside in pure self. They can communicate with self. Those who are large hearted, broad-minded and holistic in approach they enjoy peace, happiness and bliss internally and spread the same everywhere. They have power to foresee, predict and bless. If they practice truth, what they say happens. Power of intuition is a big help in holistic decisions which are cross checked by intuition or voice of conscience.

### **16. Theory of three bodies, five koshas and seven chakras.**

Every human being has three bodies

#### **(a) Physical body:-**

Made of five major bhutas, earth, water, fire, air and sky, 5 gyanendriyas and 5 karmendriyas. It is visible. It is hardware.

#### **(b) Micro body:-**

Mind, intellect, chitta and ego. It is software. It is invisible. Presence of selfish desires, greed, lust, anger, envy/jealousy, attachment and ego pollute or corrupt it. Absence of these vices indicates its purity.

#### **(c) Causal body:**

It is made of past births accumulated desires, good and bad karmas are bound to become our good or bad destiny. These can't be changed. Sanchit(accumulated karmas) and kriyaman karmas can be moderated or nullified by japa, tapa, dana, penance etc. all karmas, good and bad can be burnt in rare cases by guru krupa or god's grace.

Human physical body is perishable / mortal. It is subject to cycle of birth, growth, decay and demise. Micro body is transferable from one physical body to another in the cycle of death and birth. Be physically fit, mentally pure and agile, bear prarabdha with even mind and make your destiny by virtuous acts or attain moksha by detached niskam karmas.

In Indian mythology, physical body is a chariot, indriyas are its five horses, are handed over to God (soul) then journey of this mortal world would be safe. Horses will not go wild.

Sometimes bad causal body (sanskara ) compel even a pure person to commit heinous crimes or a condemned criminal to become a sage.

Every body has five koshas-

- (1) Annamaya kosha ( physical power)
- (2) Pranmaya kosha ( pranik energy level)
- (3) Manomaya kosha (mental power)
- (4) Vigyanmaya kosha (knowledge & wisdom power)
- (5) Anandmaya kosha ( spiritual bliss power)

Each of the above five koshas are successively more subtle and powerful. Gradually move from lower to higher sheaths.

In management parlance, first sheath is materials management, second is MIS communication, third is Organizational behavior, Decision making, fourth is leading, inspiring, transforming and the last is flow of happiness, peace and bliss on achievements and excellence.

Everybody has seven chakras-

- (1) Muladhar chakra ( Root of back home)
- (2) Savdhishtam chakra (urinary)
- (3) Manipur chakra (Navel chakra, place of kundalini)
- (4) Anhad chakra (Heart or sun)
- (5) Vishuddhi chakra (throat speech )
- (6) Ajan chakra (bharakuti Madhya, third, eye, vision)
- (7) Sahastrar chakra (middle soft part of scalp)

Through yoga and meditation and chanting of mool mantras of each chakra one can enjoy this world (bhakti) and other world ( moksha) also.

### **17. Doctrine of abhudaya and nishreyas:**

‘Abbudaya’ means material growth or economic prosperity. Nishreyas means spiritual development leading to salvation or no rebirth and manager of soul with God. The rebirth and manager of soul with God. The western world believes in material growth only. But Indian view point of success is material growth with spiritual growth. Having economic prosperity is welcome but it must be based on ethical artha and kama with a sense of detachment finally leading to salvation of soul. It is not necessary to be a sanyasi to get salvation. It can be obtained by anyone who makes efforts at attaining abudaya with nishreyas.



### Check Your Progress- B

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**Q1. Explain theory of four purusharthas of life.**

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**Q2. What is theism? What is its use in management?**

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## 5.7 INDIAN MANAGEMENT MODEL'S SUPERIORITY

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Now Indian Management model based on Indian Ethos derived from Indian ancient vedic and Vedantic literature can be compared with Western Model of Management.

No.	Western Management	Indian Management
1.	Manage others	Manage self first and then others
2.	Produce results	Produce excellent performance (karma yogis)
3.	Competition	Cooperation, alliance.
4.	Focus on individual performance.	Focus on team performance and family style of management
5.	Excellence through material inputs.	Excellence through material and spiritual inputs.
6.	Motivation and incentives	Inspiration and transformation.
7.	Conflicts, resistance, stress.	Growth with peace and harmony.
8.	Stress Management through	Stress Management through change in

	medication, intoxicants.	philosophy and attitude towards life and its purusharthas.
9.	Control and supervision, regulation.	Self-Management, self-control.
10.	Lead by orders.	Lead by exemplary conduct or role model.
11.	Segmented knowledge.	Holistic and integrated knowledge.
12.	Skill based division of labor.	Attitude and nature based division of labor.
13.	Domination of secular values.	Domination of spiritual values.
14.	Left brain or male part domination.	Harmony of male and female part of brain.
15.	Survival of the fittest	Survival of the weakest
16.	Exclusive	Inclusive, integrated and holistic.
17.	Maximization of 6 vices.	Minimization of 6 vices.

It becomes very clear that Indian Management model is fundamentally different from Western Management Model. It is superior and more sustainable.

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## 5.8 SUMMARY

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Sources of Indian ethos are our shruti – smriti, purans, epics and saintly literature. Indian ethos is part of Indian culture. Indian managers and managers of foreign origin working in India need knowledge of Indian Ethos can help us in developing an India Management model which can become a better substitute of western management. It will lead to growth with happiness and peace. Such a growth will be more sustainable. Foundational concepts of Indian Ethos include theism, intuition, four pursharthas, trinity of gunas, total quality of mind, family concept, three bodies, five koshas, seven chakras, varanashram theory among others.





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## 5.9 GLOSSARY

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**Hindu jointer / undivided family ( HUF )** :It is headed by the senior most male member with his younger brothers, their children etc. He is called 'karta' or Head.



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## 5.10 SUGGESTED READINGS

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1. Khandelwal N.M. ; ETHICS AND INDIAN ETHOS FOR MANAGEMENT, Pacific university, Udaipur.
2. Anand singh; Business ethis and indian ethos, Himalaya, Mumbai.



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## 5.11 TERMINAL QUESTIONS

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- Q1. Define Indian Ethos. What is their need and purpose?
- Q2. Discuss the relevance of Indian Ethos for solving contemporary management problems.
- Q3. Enumerate sources of Indian Ethos.
- Q4. Describe any five Indian concepts / theories as foundation of Indian Ethos and their managerial implications.
- Q5. Write short notes on the following:-
- (a) Total quality mind
  - (b) Self Management
  - (c) SRT Triguna Theory
  - (d) Samskaras
  - (e) Svabhava – based svadharma
  - (f) Varnashrama system
  - (g) Nishkam karma yoga
  - (h) Theory of karma

- (i) Guna theory
- (j) Family systems
- (k) Holism
- (l) Preya-shreya Doctrine

Q6. Compare Indian Management Model with Western Management Model. Explain superiority of the former over the latter.

Q7. "Regulated mind is our best friend and unregulated or violent mind is our worst enemy." Explain this statement and describe techniques to attain total quality mind.



## 5.12 CASES / CASELETTTS / VIGNETTS

1. A person is theist. He visits temple, Church, Mosque and Gurudwara and offers prayers like:

Prabhuji mere avagun chitta na dharo  
 Samdarshi hey naam tumahara  
 Chaho to par karo.

(O God! I have many defects. Kindly ignore them. Your name is equal viewer. You may allow me to cross the ocean of this world, if you like.)

He has committed frauds and violence. Criminal cases are pending against him.

How can he be reformed without legal punishment?

(Hint: Truthful confession of crimes and firm resolve not to repeat crimes in Future.)  
 Refer Srimadbhagwad Gita slok.....chapter.....)

1. A person offers the following prayer daily before God:-

Hare mat sam paapi nahi  
 Tav saman nahi paapap hari  
 Iti tva matva jagannath dev  
 Yatheccha bhava tatha ma karu.

(O Lord Jagannath! There is no sinner equal to me and there is absolver of sins like you. Kindly allow your will to prevail.)

Examine the spiritual state of this devotee. Advise him right course of action, making assumptions about his ethical, moral and legal status.

(Hint: Transparent revelation of our defects / sins and requesting the Lord to grant necessary spiritual courage to overcome them.)

2. Ramesh is confused about what karma is done and what karma be avoided to do. He believes that akarma be avoided and vikarma be done. He also believes that sins can be set off against virtuous deeds like purta karma. He also seeks your advice what leads to rebirth in this mortal world.

Point out his misconceptions about theory of karma and making our destiny (yoni) in next birth.

3. Mohan seeks your advice about Purusharthas of human life. Guide him on path to moksha to achieve supreme goal of human life. Can he by-pass dharma, artha and kama?
4. Shyam argues that he has to achieve success by hook or crook. His boss focuses on individual performance in material terms. He does not care for what means he adopts to achieve the sales target. If he fails to attain the target, he is bound to lose his job. His family is also putting pressure on him to adopt any means to achieve the target. Advise him on the basis of Indian Ethos.

(Hint: take help of preya – shreya doctrine, nishkam karma yoga, etc.)

5. A H.R. Manager consults you on triguna (SRT theory) and its application in H.R. field. He feels or believes that an organization must have satvik persons only on its rolls. Prepare a detailed note on attributes of satvaguni, Rajoguni and Tamoguni persons in an organization and their suitability for various levels of jobs.
6. A company is owned and controlled by Hindu undivided family and extended families. The company is also managed with family style of Management. Explain its organizational structure and design, H.R. policies and practices making your own assumptions. Also comment on its sustainability.
7. Influence on the mind. According to one's need specific pranayama is done in order to energise or calm the mind. Dharana sharpens the mind improves focus. Mantras are sound vibrations; they help us connect the inner self to the cosmic energy and overcome energy blockages within. Mantras are powerful and work at a deep level to transform from within. For centuries mantras have been used to improve spiritual status as well as to deal with distress. Mahamritunjaya Mantra, Gayatri Mantra and Goddess Durga's 32 names are some of the well known beneficial mantras.

With yoga and mantra sadhana one achieves harmony with the self and with the world. The body becomes healthy, the prana balances and at the level of spirit the process 'sets us free' and unravels creativity in life.

The only constant in life is change. What sadhana does is to put the sadhak or aspirant on the path of acceptance, change, adaptation and deep within it inculcates the ability to step back and see the world dispassionately.

(From Times of India Feb 6,2010)

**Questions:**

1. Why our mind becomes stressful?
2. How can yoga help us in making our mind free from stress?

**8. ROLE OF SPIRITUAL VALUES IN BUSINESS**

You can't combine spiritual values with unethical or unfair business. It is impossible. Safe business (or sustainable business) and spirituality go hand in hand.

Business organizations do need in strength. Spirituality gives the much needed inner, intuitive ability and to bear tough times. Meditation can help manager/leaders in a big way. Spiritualism and commerce are not rivals.

Managers have to balance the material and spiritual life. Today advertisements use yoga poses for comfort. Today, spirituality is synonymous with comfort, and business must bring comfort to people.

You practice meditation for 20 minutes, and you will gain 4-5 extra hours in your life. You will feel more energetic and your focus will improve, efficiency will go up.

57 spirituality programs of the Art of living Foundation for management and worker cadres are being offered in different countries. In the USA alone, 48 universities are offering these programs. Indian ethos for managers will bring in more creativity and energy and minimize stress. Wealth will be generated by business with peace and happiness rather than conflict and stress.

Indian businessmen are very lucky to have heritage of Indian ethos and values with them. Don't underestimate it. Indian business organizations have family style of management. We need to prove family values.

World expects a lot from Indian ethos. It can provide a viable alternative to western Management. Spiritual value – based management, prosperity with peace and happiness.

You are a global citizen. You may learn some virtue from every part of the world team work from Japan, precision from Germany marketing and negotiation, value of time from the British and spirituality and human values from rural India. Take good quality from anywhere in the world.

If you are committed to doing something for survival of the weakest, to uplift around you, if you are committed to compassion, to creativity, then the world will be a wonderful place.

Adopted from last word in Business world May,  
13 2017 of Shri Shri Ravishanker.

**Questions:**

1. Explain how Indian Management will be better than Western Management?

2. Explain Intuition, Meditation and Family concept as foundational values of Indian Ethos.

## **9 .GOD STRATEGY**

I am not speaking of God as in any religion. I am speaking of spirituality here. It is about a higher power, regardless of our faith. Knowing God is a tough target, and no tough target can be achieved by a casual effort. It needs a strategy.

I also know how important is to know God. A connect with a superior power gives us strengths, belief and balance. It can help makes you more successful than any MBA course or a Leadership course. Alternative strategic to know God are:

Plan A: Belief or faith or theism.

It is to believe very strongly and totally in an absolute super power and conviction that this theism or faith in God will be your salvation. This faith is sometimes supported by prayers to stronger mental focus on God. It is often elapses, a stronger mental focus on God. It is often supplement by visit to temple or any other religious place and performing puja, prayer or dhyana, distributing prasada and attending some spiritual discourse. In office it is reflected in little statutes on desk offering flowers, Prasad, lighting lamp and perfume stick, praying or meditating and symbolic screen savers.

Plan B: Atheism.

No belief in God or any such super power. No past life. No life after death. No one looking from above. Focus solely and wholly on the pursuit of wealth, power and success. One may have a may not have morality compass. As Richard Dawkins says, "If other is no God, what is the need to be good."

### **Plan C: Compassion for weak.**

This is one of the strong tenets of Buddhism but also of every saint or prophet. If you care for survival and upliftment of weak, sufferers, care for the universe, your problems become very and less and you are able to rise to higher levels of spirituality. Unfortunately, in the rate race for money and success, this is not easy to follow.

Plan: D Divine oneness

Without white there can't be hot. So you look around you. There are people, animals, roads, stars, planets, plants, seas and galaxies. In one world – Everything! It means that at one time there must have been nothing. Pause and think about it. Then a question arises what made

nothing into everything? What energy? What force? What power? In my strategic framework that is God.

So how do you find God? You don't have to. He is in you, around you, has created you, maintains you and will take you when your time is up. So you don't need to find God. He is you, inside you. So the strategy is not one of search. But of self-realization.

(Adopted from point blanks by Shivjeet Khullar in business world, May 13, 2017)

### **Questions**

1. Explain the concept of theism in Indian Management.
2. Explain the concept of survival of the fittest in Indian Management as anti-thesis of competition and survival of the fittest principle in western Management.

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## UNIT 6 HOLISTIC APPROACH FOR MANAGERS IN DECISION – MAKING

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- 6.1 Introduction**
- 6.2 Objective**
- 6.3 Unbound Rationality**
- 6.4 Bounded Rationality**
- 6.5 Theory of Irrationality**
- 6.6 Holistic Approach to decision making**
- 6.7 Summary**
- 6.8 Glossary**
- 6.9 References**
- 6.10 Suggested Readings**
- 6.11 Terminal Questions**
- 6.12 Case Analysis**

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### 6.1 INTRODUCTION

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In the previous unit you have learnt about Indian ethos and Indian Management. Now this unit is devoted to holistic approach to decision –making. Nobody can be a manager if can't take decisions. You will learn various approaches to decision –making.

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### 6.2 OBJECTIVES

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The study of this unit must prepare you to understand;

- Unbound Rationality
- Bounded Rationality
- Irrationality
- Holistic Approach to decision-making , How to be a good decision maker?



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## 6.3 UNBOUND RATIONALITY

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Assumptions underlying classical economic analysis of Adam Smith and Kenneth Building are given here under:

- (a) Every human being is a rational human being. He/she knows what is in his interest.
- (b) When every individual protects self-interest the aggregate of such rational decisions leads to fulfilling social interest.
- (c) There is invisible hand which guides rational decisions.

Thus, theory of unbound rationality says that there is no place for emotion and heuristics in decision – making. One makes decision by choosing the best option giving maximum economic gain/profit, minimum cost, maximum revenue.

The typical process of rational decision making involves the following sequential steps:-

1. To identify the problem.
2. To develop alternative solutions.
3. To analyse solutions
4. To choose the best alternative
5. To implement it
6. To review, monitor, evaluate, modify
7. To achieve it.

Routine or operating structured decisions are mostly taken with the help of expert system, models, CNC machines etc. these are mostly objective and based on internal data analyzed without human intervention.

However, top level strategic decisions are unstructured; need external environment data and analysis by individuals or teams. Strategic and establishment decisions can't be taken by computers. Classical theory of unbound rationality says that the best alternative option is selected to maximize return on investment.

Invisible hand of competitive free market forces operate to check any deviation. Only the best and fittest will survive. If you want to survive and grow, you have to be rational to the core. Govt. interference in citizen's economic decisions is not allowed. What is best for an individual or an organization is good for the whole society or nation, or humanity. The unbound rationality assumes that legal ,moral and ethical compliance is there.

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## 6.4 BOUNDED RATIONALITY

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This theory led to replacement of the best alternative option by the most feasible alternative option as a basis of choice or decision-making. There may be several internal and external

environment led constraints or barriers which may make the best alternative option unfeasible technologically, managerially, commercially or legally or ethically, or morally, or religiously. For example, return matrix of various investment alternatives is given below.

- (a) Liquor Industry 75%
- (b) Meat Industry 100%
- (c) Textiles Industry 35%
- (d) Electronics Industry 60%

The best one is Meat Industry. But a Jain promoter will not select it due to Jainism principle of non – violence.

The second alternative is liquor industry. It is not feasible, if investment is to be made in Gujarat or Bihar due to state policy of prohibition.

If technical knowledge is available, electronics industry may be selected for investment. But if technical knowledge becomes a barrier, then this alternative also becomes technically non-feasible.

Unbound rationality does not work in real life. Hence the theory of bounded rationality had emerged in practice.

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## 6.5 THEORY OF IRRATIONALITY

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The basic assumptions of rational human beings as foundation of classical economic analysis was challenged by several researchers in 20<sup>th</sup> century, finally culminating into its recognition by award of Noble Prize in 2002 to Travosky on Random walk theory in finance. This research proved a thesis that mostly individuals take investment / disinvestment decisions on the basis of emotions and heuristics. They can be safely conclusively called ‘Irrational Decision Makers’. No significant difference was found in rates of return on two investment portfolios, one selected at random and another based on fundamental and technical analysis. This has led to new fields of study like Behavioral Economics and Behavioral Finance. A few glaring examples of irrationality are-

- (a) Paying huge amounts of capitation fee, donations in school, and college admissions just for maintaining prestige in society.
- (b) High professional fee indicates high quality of professional service.
- (c) Getting fake degrees and mark sheets by paying huge bribes without attending the course.
- (d) Buying a luxury imported car by taking a bank loan.
- (e) Selecting life partner on the basis of money, physical attributes without caring for character, attitude and values.
- (f) Take over and merger of a company without cultural compatibility.

Emotional factors affecting behavior of a decision maker are-

- (1) Selfish desires, greed, lust, etc.
- (2) Anger/violence

- (3) Envy / Jealousy
- (4) Attachment
- (5) Ego, arrogance, revenge, etc.

These emotional factors lead to irrational decisions, illegal, immoral and unethical without caring for serious repercussions in the form of tension, fear, anxiety, stress, depression, sickness, penalties, imprisonment, loss of goodwill or image or social reputation or credibility. Greed for money in the form of incentives or performance linked bonus was the main driving force behind global sub-prime crisis. The violence perpetrated by Islamic state leaders and operation is driven by envy, attachment, ego, arrogance, revenge, etc. the base of economic and political policies of Donald Trump, president of the USA is selfish desires, greed, lust, anger, envy, attachment and ego. His most decisions are driven by these emotional factors.

Dharma or ethics also play role in the quality of decisions. These elements are:

NO.	DHARMA	ADHARMA
1.	Non violence	Violence, anger
2.	Truth	Falsehood
3.	Purity/shucita	Impurity
4.	Asteya-non theft	Exploitation/usurpation theft
5.	Aparigraha	Accumulation
6.	Contentment	Discontentment
7.	Vairgyas or detachment	Rag-dvesh or attachment
8.	Kindness (daya)	Cruelty
9.	Karuna	Merciless
10.	Mudita	Tense
11.	Maitri	Enmity
12.	Upeksha	Involvement
13.	Tapa,titiksha	Enjoyment
14.	Kshma (pardon)	Revenge
15.	Daan (Donation)	Miser
16.	Samta (Equality)Even mind	Inequality /uneven mind

Dharma leads to ethical decisions whereas adharma leads to unethical decisions. Ethical decisions may be legal and moral also unethical decisions may be unlawful, illegal, amoral or immoral also. Much depends on moral formation of an individual at home, neighborhood, school, office, media, law enforcement and social values. How much fear of punishment is

there? Whether society respects criminals? Whether individuals are law abiding? Recent experience of demonetization or notebandhi gives a negative answer to ethical and legal compliance behavior of most individuals in India.

Question of relative ethics should also be considered carefully while taking decisions. The higher value ethics be preferred when there is ethical dilemma or conflict. A few examples will make this point clear.

**(1) Telling truth is good ethics. What we see or hear be stated truthfully. Falsehood leads to violation of law inviting punishment for fraud, deceit, etc.**

But it must be dear and beneficial, (satyam bruyam, priyam bruyam). Hot or violent communication leading to violence or loss of public interest must be avoided. Truth is compromised to protect public well-being, maintenance of law and order, communal harmony, peace, etc.

Examples:

- (1) Lord Krishna prevailed on Dharmaraj Yudhirshthir to tell half truth "Ashwasthama hato....." to protect public interest by reestablishment of good governance in the country.
- (2) Media reporting ethics do not permit disclosure of truth how many persons of which community died in communal violence.
- (3) A minister takes oath of secrecy of official facts. It is his constitutional duty to keep official truths confidential.

But resort to untruth or part truth to serve personal interest (insider trading, rumour mongering) is not lawful.

**(2) Violence is prohibited. But as part of duty it is permissible.**

Examples:

- (1) Awarding capital punishment to a murder convict in rarest of the rare case like terrorism, rape with brutal killing.
- (2) Firing by police on valid orders to maintain internal security.
- (3) Killing terrorists and army intruders on border or fighting battle to defend a nation against foreign attack.

Vidurniti in the Mahabharata epic clearly says that-

Sacrifice an individual to save a family.

Sacrifice a family to save a town.

Sacrifice a town to save a country

We have to sacrifice lower level goals to achieve higher level mission.

According to Ved Vyasa, the substance of 18 puranas is doing good to others is best Dharma and causing harm is a paap. But as part of duty we must do what our duty dictates. With independent and pure mind if we do our duty without attachment to work and its fruits and without “I do” ego then no paap-punys is attracted to us.

Irrational decisions are caused by any one or more of the following heuristics:-

(1) Mental accounting:

Black money, white money, easy money, hard money, earned money, earned wealth – acquired wealth, my money, other’s money, other’s loss- my gain.

(2) Mental framing:

I will not buy a share whose price is less than rs.100.

I will not sell a share/land without making at least 100% profit.

I will never book a loss.

I always invest in a blue – chip only.

(3) Marrying an Investment:

I invest in TISCO. It is not to be sold. It will be transmitted to my children after my death.

(4) Herd mentality:

I will follow sentiments of market. I will invest where majority of people are investing. I will sell if all others are selling.

(5) Contrarian:

I will swim against the tide. What others sell, I buy and what others buy, I sell.

(6) Distinctiveness:

I always want to look different or unique from others. I never lose. I am always a winner. I may go for averaging.



### Check Your Progress- A

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**Q1. What is unbound rationality?**

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**Q2. What is bounded rationality?**

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**Q3. What are the tests of a holistic decision?**

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## 6.6 HOLISTIC APPROACH TO DECISION MAKING

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A holistic approach to decision making needs the following check list to be applied:-

- (a) Is it ethical?
- (b) Is it moral?
- (c) Is it legal?
- (d) Is it rational?
- (e) Is it wise?
- (f) Is it independent and impartial and objective?
- (g) Is it just fair and equitable?
- (h) Is it human?
- (i) Is it beneficial in a balanced manner to all stakeholders?
- (j) Does it comply with macro-level policy objective of the nation?
- (k) Apart from maximization of profit or return on Investment, put the following feasibility tests-
  - Technical feasibility

- Social cost-benefit analysis or social feasibility
- Environmental feasibility
- Commercial and financial feasibility
- Legal feasibility
- Operational feasibility.

Holistic approach to decision-making needs clear understanding of 4-Dimensional SWASTIK concept:

Return to stake holders	Ethics & law
Impact on Environment	Impact on society/nation

**Fig 6.1 Dimensional SWASTIK Concept**

It is an improvement over Triple Bottom Line Reporting (TBLR) adopted by I.T.C. and a few other corporate and sustainability Reporting. It is a significant contribution from Vedic symbols.

Rational approach is not necessarily holistic which needs a leader with large heart, broad mind, internal purity, vision, mission and values. His intuitive faculty and conscience must be well-evolved. While taking decision, his analysis is coupled with inner voice of conscience regarding interest of God, nature and people, larger interest of nation and humanity. He does not live on physical level of eat, drink and be merry only but his pranic energy, wisdom and bliss sheaths are also well evolved. He is not selfish or greedy but sacrificing for others. He believes in purity of means and ends both. His living is simple but thinking is high. He strives to become a role model.

Thus, simply stated in brief, holistic approach to decision making is based on –

- Due compliance with ethics.
- Due compliance with law,
- Harmonizing a balancing conflicting, interest of relevant stakeholders.
- Serving needs and expectations of community,
- Preservation of natural environment.
- Sustainable development of the company and national economy, and
- Compliance with human rights.



A holistic decision seeks co-existence of man, nature and God. It travels beyond ethics where detached action become service to God and one gets emancipated as a manager. The decision is based not only on information and knowledge but on conscience, intuition and wisdom.

A holistic person's prayer to the God every morning is-

Sarve bhavantu sukhina

Sarve santu niramaya

Sarve bhavani pashyant

Ma kascid dukh bhag bhavet.

(let all be happy, healthy, free from pains.)

Your decision is holistic if it gives you peace, happiness, makes God happy, people around you happy and nature also happy and healthy. You have no fear of being ashamed if it is disclosed. A holistic decision ensures sustainability of decision maker and his organization both along with sustainability of people, nature, and economy/nation. There is no fear of shame if it is disclosed.

Rational approach to decision making is incomplete. Some ground level realities are revealed by Behavioral approach to decision making. Holistic approach to decision making. Holistic approach to decision making is essential but appears utopian. If we have such inclusive, integrated, broad minded and large hearted, ethical and law abiding or God fearing decision-makers, then profiteering, scams, frauds, corporate disasters, tax-evasion, pollution, growth of Maoism-Naxalite red corridor with frequent violence must not be there. Lot of irrational decisions appear every day in media. Holistic approach is a far off cry, you may go through a media report which follows now and analyse it from the view-point of holistic approach to decision-making.

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## 6.7 SUMMARY

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Decision can be choice of best option, or choice of feasible option. It may be influenced by behavioral factors- emotions and heuristics. Best approach to decision-making is holistic. It is based on wisdom, conscience and balancing of conflicting interest of various stakeholders. It ensures sustainability of leader, organizations and the society.



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## 6.8 GLOSSARY

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**Theory of unbound rationality** says that there is no place for emotion and heuristics in decision – making. One makes decision by choosing the best option giving maximum economic gain/profit, minimum cost, maximum revenue.

**Bounded Rationality-** This theory led to replacement of the best alternative option by the most feasible alternative option as a basis of choice or decision-making. There may be several internal and external environment led constraints or barriers which may make the best alternative option unfeasible technologically, managerially, commercially or legally or ethically, or morally, or religiously.



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## 6.11 TERMINAL QUESTIONS

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- Q1. What is theory of unbound rationality in decision making?
- Q2. What are theories of bounded rationality and irrationality?

Q3. Explain emotions and heuristics as factors causing irrational behavior in decision making.

Q4. Take any case of irrational decision making like financial fraud or scam and analyse it.

Q5. Explain holistic approach to decision-making.

Q6. How will you evaluate a decision/proposed decision? When you will call it holistic, rational or irrational (unethical, unlawful, amoral, immoral)? Illustrate your answer with examples.

Q7. Analyse the decision, classify them and explain their implications in the following case:

Walls of a marriage hall collapse causing 25 casualties. In all big cities, municipal corporation officials failed to discharge their duties. Guidelines were never enforced. 90% event places are unregistered. People book them due to lower rates. Now these have been locked and sealed as per directions of the state govt. Public is facing crisis in organizing marriage and reception feasts. Compliance of guidelines and registration will lead to unaffordable

Q8. A Greenfield project,s ROI is estimated at 25% p.a. It will pollut water in the surround area. Villagers will face healthy hazards. To prevent their opposition, the promoters think to donate money for a school and hospital. It will bring down ROI to 20%p.a. Another alternative is to install a water recycling plant. This will bring down ROI to 15% p.a. Classify all the three decisions in different categories giving reasons.



## 6.12 CASE LETS

### 1.- PUBLIC IMAGE OF BUSINESSMEN

#### LIFE STYLE OF BUSINESSMEN

Indian businessmen should change their ostentatious lifestyle so that the industry earns a good image in the society, says Mr. Tarun Das, former chief Mentor of Confederation of Indian industry and president, Aspen institute of India.

“My biggest worry is that businessmen are not realizing that if they do not adjust their lifestyles, if they do not cut their ostentatious expenditure, if they do not cut their emoluments, they are in big trouble,” Mr. Das said in a chat with Business Line.

#### **INDUSTRY IMAGE**

He observed that for all the successes that the Indian industry has enjoyed in the recent years, its image in the recent years, and its image in the society is still bad.

“The person on the street, the person in the village, does still not trust you (the businessman). The society sees the businessman as an exploiter and a crook,” he said adding that if the businessmen do not strive to change this perception, “there will be backlash.”

Mr. Das worked for over 45 years with the cll. He continues to be regularly consulted by both the government and the industry on various matters. Mr. Das is also the chairman of Haldia Petrochemicals Ltd.

The businessman is an educated and enlightened person and he should “read the writing on the wall.”

He gave the example of the “Tatas who, according to Mr. Das, have earned the respect of the society through their social development actions.

Mr. Das said that the finance Minister, Mr. Pranab Mukharjee, is also seized of the problem and is likely to call for a meeting with top industrialists to discuss the issue.

(B.L. July 5, 2010)

### ***Questions:***

1. “Our businessmen can learn from Mahatma Gandhi about life style.” Explain.
2. How can Indian businessmen create their good social image?

## **2-HUMAN VALUES IN BUSINESS**

### **HUMAN VALUES**

Having a started human rights policy is no longer a matter of choice, but a business imperative for an increasing number of companies around the world. And in the Indian context, it’s just right that two of the country’s largest and respected companies-the Tata Group and Indian Oil-have made it to the list of 270 companies worldwide to have adopted a human rights policy statement, according to a report released at recent UN business summit in the US.

“Companies everywhere are realizing that human rights are core business concerns. It’s about putting people at the centre of what businesses is do. It’s about the social sustainability of markets and enterprises. This understanding builds on a long standing tradition in the relationship between business and communities in India, “says John G Ruggle, special representative of UN secretary general for business human rights.

Explaining the rationale behind having a written human rights policy in today’s world because human beings are now increasingly being seen as central to business, and everything flows from policy.”

Ruggle was the star speaker at the UN Global Compact Leaders Summit, which was attended by representatives from over 1000 businesses and saw high profile NGOs Realizing Rights and the Business & Human Rights Resource Center share the list of companies having human rights policy. The UN Global Compact is a public-private initiative, which encourages companies to commit to sustainability and corporate citizenship by adhering to its principles on human rights, labor, environment and anti-corruption.

Recent problems like those in land acquisition have highlighted the need for businesses to look into human rights aspects. And even the Tata Group, despite its long track record of corporate social responsibility, was the target of public ire in Singur, West Bengal over land acquisition, which finally led to its group company Tata Motors abandon the Nano project and shift to Gujarat. “Companies realizing that they not only have to respect human rights, but also demonstrate it. If businesses to grow, they cannot operate in their own islands of prosperity amidst deprived population. If they do so, it can lead to a backlash.” Says Uddesh Kohli, a special advisor to the UN Global Compact.

Delays over land acquisition alone can derail investment of about \$100 billion, estimates industry chamber Assocham. And the risk is multiple, ranging from investors pulling out over allegations of human rights violations, as in the case of Vedanta, to firms facing criticism for buying assets in conflict-ridden countries like Sudan, as in the case of OVI.”

Elaborates Mark Hodge, director, UK-based Global business initiative on Human Rights, “the costs are increasingly high under various heads like financial (including limited access to capital markets), reputational, legal (including the cost of litigation), operational interruptions and cancellation of license to operate. “Based in New Delhi, Hodge consults with Indian companies and speaks regularly at business and human rights roundtables.”

One of the key messages from such workshop is that when companies take care of human rights of neighborhood populations, particularly in improving their quality of life, it’s likely to ensure availability of healthy and educated manpower, consumers for their products, and local goodwill, which secures amicable environment for their operations.

The need for getting the human rights approach right is felt all the more in areas with weak governance or in conflict-like situations, where philanthropy, points out Sail Tripathi, policy director at UK-based Institute for Human Rights and Business. He, however, adds, “What these companies should do is to connect these dots and learn from the international experience, which shows that philanthropy is entirely voluntary, corporate social responsibility is desirable, but accountability and respecting human rights is increasingly essential and necessary.”

The realization needs to sink in sooner than later. The government policy is already moving ahead in this direction. Voluntary Guidelines on Corporate Social Responsibility issued by the Ministry of Corporate Affairs in December 2009 urge companies to respect human rights for all and avoid complicity in human rights for all and avoid complicity in human rights abuses. It’s now the turn of companies to respond.

**QUESTIONS:**

1. What do you mean by human values and human rights?
2. ‘Compliance with human rights in business organizations is the core of holistic decisions’ Explain.

**3-HOLISTIC DECISION IN LAND ACQUISITION****SUCCESSFUL LAND ACQUISITION**

STEEL MAJOR Arcelor Mittal has agreed to pay 5000 per decimal of land to each land loser for its proposed steel plant in Jharkhand’s Bokaro district. This translates into Rs. 5 lakh an acre. It will be for the first lot of land proposed to be taken over; the discussions. Are not over yet.

A meeting was held between Arcelor Mittal officials, including general manager P. S. Prasad and hundreds of villagers on the premises of a school at Armo in the affected area.

“We have reached some kind of understanding with the land loser and the ball park compensation is Rs. 5 lakh an acre. But these are preliminary discussions. “said an Arcelor Mittal spokesperson.

The company also agreed to provide a monthly pension of Rs. 5000 to each affected nuclear family for three years from the date of acquiring land. The group would also provide jobs to each family which would lose land for installing the plant.

The company is also to train educated youth of the concerned area to undertake skilled jobs. Those who do not want a job in the company would get compensation for a period of 30years.

The company says it will also provide basic infrastructure, including schools, roads, drinking water healthcare and power to the area.

The discussions pertain to the first tranche of 2,500 acres that the company would acquire in and around the Bemrotand and Ormo panchyats, in the first phase.

Bokaro distric’s deputy commissioner, Satendra Singh, said the state administration would act as a facilitator in setting up the steel plant. The administration would provide the company land records and ensure a safe working environment.

(Business Standard 12/13 June 2010)

**QUESTIONS:**

1. Discuss how Arcelor Mittal could make village agree on land transfer through CSR approach?

2. What are the pros and cons of land acquisition orders given by the govt.?

### **ETHICS FOR RATING AGENCIES**

The credit rating industry has been undergoing to a credibility crisis as well as of crisis of confidence especially in the wake of the financial debacle in the US in 2008.

The Securities and Exchange Board of India (SEBI) has done its bit to restore faith in the rating agencies, which now have to disclose details of fees received periodically at least six monthly. One wishes the requirement was to disclose details fee paid by their clients in their offer documents because any ex post facto disclosure is not going to influence the decision making of investors significantly.

An audit fee of around Rs.4 crore disclosed in Satyam's profit and loss account had the effect of public examining the Satyam fraud with renewed interest and from a new angle was there a quid pro quo?

Was the hefty fee a silencer and for looking the other side? Similarly, a hefty fee paid to a rating agency could be a giveaway, especially if other raters who have not been paid as much are more guarded or restrained about their gushing enthusiasm for the instrument rated.

This requires disclosure of rating fees paid rather than *ex post facto* disclosure of rating fees received. And such a disclosure would carry more meaning if the rating fee paid to all the rating agencies in case of multiple ratings is disclosed upfront in the offer document.

SEBI should have also made it incumbent for the client whose instrument had been rated to disclose the rating awarded by each one of the rating agencies in case he went for multiple rating. Disclosure of the best rating only serves to encourage rating shopping in the manner of treaty shopping on the part of foreign investors.

Multiple rating, to be sure, is not to be condemned. It has all the merits of dual auditing being considered by the Ministry of Corporate Affairs as an alternative to the single audit done perfunctorily often.

If one chooses to call upon more than one rating agency to rate an instrument, one should be obliged to publish all the rating and not the one that edifyingly while discarding other ratings that have not been so gushing.

### **RATING OF IPOs**

One wishes SEBI has also visited the problems associated with IPO ratings. In a move that was path breaking, it attempted a couple of years ago something which no other regulator had-ushering in a regime of rating equity shares in an IPO. Two deficiencies continue to bedevil the regime-its voluntary nature and holding back comments on the price band by the rating agency.



Mandatory rating of equities issues is the least the regulator can offer to the benighted investing public of India who are often led up the garden path by wily promoters and merchant backers.

A dispassionate and mandatory rating is just what a doctor can order for them. And to rate an equity issue without commenting upon the price at which it is being issued is the most anticlimactic end to a rating exercise of equity given that price is the sticking point in most of the IPOs.

### **QUESTION**

1. *Analyse these decisions of various actors involved in the above case and classify decisions in various categories.*

## **HOLISTIC DECISIONS BY CORPORATE LEADERS**

### **CORPORATE GOVERNANCE**

“Leadership and management are two sides of a coin”, but unfortunately the current trend, particularly in the corporate sector, is to look at these as being unconnected, according to Mr. Ashok Soota, Executive Chairman, Mind Tree Ltd.

Addressing the 54<sup>th</sup> AGM of the Madras Management Association, he said if leadership is about vision and motivation, management is about planning, decision making and executing.

The two are not mutually exclusive, he said. But in the last decade, thanks to management gurus who probably may not have led an institution, the concept of looking at management and leadership separately had risen.

Mr.Soota, who was speaking on becoming a better manager and a better human being, placed emphasis on the importance of qualities that make a good human being as much as business leader.

“When a decision has to made, it involves the head, heart and the gut-the decision should be based on objective thought, a clear conscience, judgment and intuition.”

The prerequisite for success is to be a good manager and a leader, he said. “But how one goes about achieving success is also important. Ethical behavior should be a habit that is ingrained into the management culture, “Mr. Soota said.

**QUESTIONS:**

1. What message Mr. Soota has given for good corporate governance decisions? Classify these decisions in different types.

**Financial bubbles and scams galore****Are we rational? Are we holistic? Are we irrational?**

Why would anyone give financial bubbles a bad review? They are like history—if you don't learn lessons from them, you are bound to repeat them.

The bubble is an apt metaphor here—to asset or stock prices that are inflated beyond all rational proportions inside a brittle structure that can be expanded based on nothing but speculative, and are vulnerable to a sudden burst. Major speculative bubbles have been known to occur from time to time, with ruinous effects. The first recorded one, perhaps dates back to the 1630s: the spontaneous tulip mania that struck Holland in a period called the Dutch Golden Age. From tulips bubbles have migrated to stock market and real estate, and then to virtually every sector of economy as the process of globalization speeded up in the last century. And, small investors and common people were left carrying the can of financial ruin.

A few famous examples of economic bubble that occurred over the last century are the US stock market crash in the 1920s that caused the Great Depression, The commodities bubble of the 1970s, the Japanese real estate bubble in the 1980s, and the dotcom bubble that burst in the late 1990s. Then came, in 2008, the Great Recession that had its roots in the US subprime mortgage crisis.

Sometimes, the bubbles are triggered by pure and instantaneous speculation, as the case with the tulip cash in 17<sup>th</sup> century, Holland. Sometimes by the manipulative actions of individuals or corporations, as happened during the Great Depression. Or by complex financial alchemy and the rationalization of excessive greed in the name of excessive risk, in the case of the Great Recession. Or when financial transparency is opaque and unfair to investors, as in the case of Dubai's ostentatious infrastructure projects and palm-shaped tourist resorts that proved to be nothing more than an Ozymandian dream in the midst of the debt stands till crisis that swept the Emirate in 2009.

Yet, the devil is in the details. As long as hedging and betting broke no laws, there was nothing legally wrong about them or even the unpleasant spectacle of them coming unstuck. If economic bubbles have hijacked public policy, it is because of the failure of regulators to set the rules and enforce them when its practitioners were operating at the edges. The regulators happily relaxed the rules at every turn, accelerating the natural pricking of every

bubble. So in the words of a Western analyst, “When ceiling caves in, it’s scorpions versus tarantulas.” Indeed, a repugnant ending to an imbalanced interplay between ethical and regulatory responsibilities.

But then, what’s there to learn from bubbles? Why are they relevant to management education? The answer is provided by premier B-schools like the Zicklin School of Business at Baruch College in the US. When zicklin introduced, in the wake of the Great Recession, a course last year on the long history of financial bubbles and its relation to ups and downs, it was trailing a blaze in management studies. The course was not only embraced by students enthusiastically, but it also won the B-school much critical acclaim from management gurus in the US.

As B-schools in India make amends to their curriculum in the wake of the financial crisis that engulfed the Western model of capitalism during 2008-09, they require bigger shifts than a cursory look at the history of financial skullduggery. It’s an issue alive to corporate governance and the concomitant ethical duties that won’t improve through management education business-as-usual.

“Three distinctive developments in finance are linked with one another the huge growth to avoid future catastrophes, “says Ahindra Chakrabarti, professor with international Management institute, Delhi.

If the study is relevant in the US, why not in India? As Anvay Bhargava, faculty of Jaipuria Institute of Management, Jaipur, put it: “If we reflect on the Enron case, we will discover that a number of symptoms were common with that of Satyam. It is not that there have been failures in the US alone. We have to our credit a large number of scams like CR. Bhansali, UTI 64, Ketan Parikh, Harshad Mehta, Satyam, etc. The difference between the US and India is that while the failures were absorbed by few regions in India, the bubbles in the US were very large in size and the tremors of bursting were felt globally. Besides, due to the conservative policies of our government, we have been more or less insulated from global crises like the subprime and Dubai crisis.”

Sapna popli, director of IILM institute of higher Education, Delhi, agrees. “New lessons can be taught through the integration of corporate governance and compliance to accounting standards in finance and accounting courses. It can be done though increased focus on regulatory aspects of financial engineering.” She says.

According to Bhargava, the world financial crisis of 2008-09, provides several leads for formatting a course. “As financial innovations, derivatives, were introduced and manipulated to get supernormal profits. There had been no major change in the value of underlying asset compared with derivatives. This whole cycle of trading in virtual assets credited conditions were at the peak, nobody was there to pump more money and this led to the economy to crash. During bad time, people think of saving that leads to money shortage in the market and hence, business suffers. This suffering leads to people getting pink slips. It this vicious cycle and its causes are covered in any course, we can avoid or at least mitigate the intensity of such financial bubbles from occurring in coming times,” he says.

Speaking about the Zicklin course, Andrew Rodman, an adjunct lecturer of economics and finance and a former Wall Street executive, told the *New York Times* that the course on financial bubbles could highlight recurring themes—"What has gone wrong, what has gone right, what elements precede most crises, which repairs work."

That was pretty sobering talk from someone with years of experience in the Wall Street. And it was pretty sobering talk from someone with years of experience in the Wall Street. And it was right on the money invested and then, burnt-in all financial bubbles put together.

### ***QUESTIONS:***

1. Analyse the role played by irrational or behavioural decisions in stock market bubbles and bust.

Comment on the following cases:-

- (a) General Manager of a co-operative store made floor of wheat meant for BPL card holders and sold floor at high price. FCI officers supplied wheat to him in back market.
- (b) MNREGA: 6 lakh job cards cancelled being of ghost workers.
- (c) Rs.20000 crore collected from contraction companies siphoned off by labor officelabor officers.

### **4-Paper Leak scandal**

One Professor, one coaching class owner, one employee of a leading book seller, two students one principal of a govt. college one head of the deptt. of a university, one officers of secrecy section of the university have been arrested by Anti-corruption Bureau. Two professors of the university are absconding.

Dainik Bhasker Ajmer, 19April2017.

Analyse the decisions, their motivation and their type of decision and their implications.

Solution:

Professors get authorship from publishers and royalty for setting question paper from the books published by the publishers.

Professor's decision to do so is motivated by personal greed. Hence it is irrational.

Publishers' decision is to serve its own business interest, maximize return on investment. End is good but means illegal.

Students want to pass the examination with high marks not through student but by leakage our question paper. It will ruin their career. Their decision is shortsighted (preya) but not beneficial in long-run (not shreya).

Principals and professors are highly paid but their decisions are motivated by greed/lust for money. It is highly irrational decision risking highly paid jobs and loss of reputation.

University officer has violated secrecy which he is duty bound to maintain. The whole system has collapsed due to his failure to perform his duty. He has done so for some money or other selfish consideration. It is unethical and unlawful illegal both with possibility of loss of job, reputation. It is punishment.

### **5-Three professors Arrested**

Three professors, one from Bhopal, two from Lukhnow forming members of an inspection team to re commend approval of a private university took a bribe of Rs.12 lakhs. They have been arrested by the ACB red handed on the spot.

-Dainik Bhasker, Ajmer, 19 April, 2017

Analyse decisions of various actors involved.

Solution:

This is an example of all round failure of regulatory mechanism in India. The whole environment is full of corruption from top to bottom.

The private university wants to survive. Without paying bribe it can't. It has paid but protested or reported to the ACB. Its decision appears to be rational.

Honorable members of inspection team are reputed and experienced professors. Either they are greedy or have acted at the dictates of some invisible powers that be. But any way they had a better option to decline invitation to be a member of inspection team. Hence, their decision is irrational. They have lost images of own, spoiled image of profession and also the credibility of regulatory mechanism has been tarnished.

Regulatory body's CEO is responsible for irrational decision to appoint such persons as inspectors , if they did so for some personal benefit. Their decision appears to be driven by greed. Hence, irrational. If he is not sharing bribe money, no other consideration is involved then it may be a bonafide rational decision.

Decision of ACB officer to promptly arrest them is holistic. He has done his duty with integrity and devotion, assuming that he does not intend to take money to wash off it later on.

### **6-RECRUITMENT SCANDAL**

ACB has arrested a former vice chancellor, a former MLA and a former professor member of syndicate in recruitment and appointment of large number of assistant professors. 22 accused are listed in FIR.

Higher education deptt. govt of the state directed the VC.. to remove 30 Asstt. Professors. The high court directed removal. The chancellor now has carried out the high court orders. Now on one Sunday the office was kept open and the syndicate unanimously approved 34 Asstt. Professors have been dismissed from the post. Inquiry is being hold in 77 other cases of wrong appointments.

-Daily Navhgyoti, Ajmer, Jan14, 2017

-Dainik Bhasker, Ajmer, May 15, 2017

Analyse decisions of various actors, forums involved with implications.

Solution:

ACB has acted lawfully and holistically in the broader interest of education and the society. Its decision will deter other candidates from seeking appointment under political, community or money power influence. It will also create fear in the mind of politicians, Vice-chancellors and syndicate members also.

But the obvious limitation of bodies like ACB and CBI is lack of autonomy. They are subject to influence of party in power. They could act as per wishes of ruling party. With the change in party in power, their decisions become rational and such cases are weakened or put in cold storage.

Vice-chancellor and syndicates are autonomous on paper but in practice they also dance as per the tune of party in power. Their decisions are rational and such cases are weakened or put in cold storage.

Honorable high court being an independent body, its decision is legal and holistic.

Education Deptt. is a govt. unit. It acts as per wishes of the party in power. Its decision is rational to irrational.

Candidates and their associates, parents are motivated by pure selfish interest to have a lucrative job. Seeking jobs through corrupt means is purely irrational.

It is regrettable that a vice-chancellor professor, syndicate members collectively contribute to collapse of the system. Candidates are also well-educated Ph.D. holders. Can't they interpret UGC guidelines impartially and move the UGC to amend them rather than violating them? They must realize that what happens today in education is the indicator of nation of tomorrow. Let they be holistic decision makers, not rational survivors and time servers. ACB and CBI need autonomy and self-managed officials to be holistic decision-makers.

**Block II**  
**Values for Managers**



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## **UNIT 7 VALUES IMPACT IN BUSINESS AND INDIAN VALUE SYSTEM- TRUSTEESHIP**

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- 7.1 Introduction**
- 7.2 Objectives**
- 7.3 Sources of Trusteeship**
- 7.4 Origin of Trusteeship**
- 7.5 Basis of Trusteeship**
- 7.6 Meaning of Trusteeship**
- 7.7 Nature of Trust**
- 7.8 Qualities of a Trustee**
- 7.9 Present Economic Theory vs. Trusteeship**
- 7.10 Criticism of the Concept of Trusteeship**
- 7.11 Trusteeship Bills**
- 7.12 Summary**
- 7.13 Glossary**
- 7.14 References**
- 7.15 Suggested Readings**
- 7.16 Terminal Questions**

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### **7.1 IN TRUSTEESHIP TRODUCTION**

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Gandhi formulated his economic ideas and principles in the context of his design, of an ideal social order, a non-violent, non-exploitative humanistic and egalitarian society. This social order embodied the fundamental philosophy of his life. He approached all facets of his social order – its economics, its politics from the philosophical premises – truth, non-violence – that governed his entire life.

He was not willing to draw any sharp distinction between economics and ethics. “I must confess that I do not draw a sharp or any distinction between economics and ethics. That economics is untrue which ignores or disregards moral value. The extension of the law of

non-violence in economics means nothing less than the introduction of moral values as a factor to be considered in regulating international commerce”.

The Mahatma rejected the Marxist solution to the most important and controversial issue of economic philosophy i.e. the right to private property, because he believed it be based on violence and tyranny.

He also rejected the capitalistic solution because he considered it to be based on exploitation, competition and tyranny.

The question of property relations assumed a great significance for him and he was of the confirmed belief that instead of changing the property relations, if we change the uses to which property is put we can have the desired results.

For this he advocated trusteeship as a relevant choice between the existing but unacceptable system of capitalist organization and its ‘inevitable’ throw by violence. He believed that as far as the present owners of wealth are concerned they have to make a choice between war and voluntary converting themselves into the trustees of their wealth.

Thus he seeks to harmonize the economic relations and to conciliate the ultimate values into a state of equilibrium through trusteeship.

Mahatma does not ignore the divinity of man which is epitomized in the great maxim that ‘a jiva is always shiva’: a man is by and large, divine. And in this respect, it is difficult to distinguish between a man and a man. It is from this deep feeling of spirituality and divinity of man that Gandhi derived his ethico-economic theory of trusteeship and inheritance.

He wrote, “Everything belonged to God and was from God. Therefore, it was for his people as a whole, not for a particular individual. When an individual has more than his proportionate portion, he became a trustee of that portion for God’s people”.

That is why he talked of equality of distribution of national wealth.

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## 7.2 OBJECTIVES

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After completion of this unit, you should be able to understand;

- Sources of Trusteeship
- Origin of Trusteeship
- Basis of Trusteeship
- Nature of Trust
- Qualities of a Trustee
- Present Economic Theory Vs. Trusteeship

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## 7.3 SOURCES OF TRUSTEESHIP

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Trusteeship was not just an economic expedient for Gandhi. It was a way of life. In his own words, “My theory of trusteeship is no makeshift, I am confident that it will survive all others theories. It has the sanction of philosophy and religion behind it.”

Indian philosophy, religion and morals are replete with this. The ancient Indian concept of rulers or King was that of a real trustee.

The heads of Hindu joint families in those days used to live the life of true trustees. According to K.M. Munshi, “He held the family property and was expected to manage and administer it for the welfare of the family. He was expected to watch with care the advancement of his younger members belonging even to collateral branches and had to give asylum to the orphans, widows, destitute in the family,”

Writing specifically about the property, Dr. S. Radhakrishnan has pointed out, “property according to the Hindu view, is a mandate held by its possessors for the common use and benefit of the commonwealth.

The Bhagvata tells us that we have acclaim only to so much as would satisfy our hunger. If any one desires more, he is thief deserving punishment.”

Thus the concept of trusteeship should be viewed in the context of the values it stood for. The doctrine is as old as the ages. But it was the Mahatma who tried to apply this philosophical teaching to the concrete realities of life for the solution of the existing economic problems.

Pyare Lal mentioned, “Gandhi based his trusteeship doctrine on a celebrated verse in the ancient Hindu philosophical scripture. ‘Ishopanished’ which says: “All that is in the universe is pervaded by God, Renounce first, therefore, in order to enjoy, covet not any body’s riches.”

The words like, *aparigraha* (non-possession) and ‘*samabhava*’ (equality) had gripped him.

He now came to realize that the principles of non-possession and renunciation of one’s property or possession or assets as advocated in the Gita can be given effect to by way of trusteeship whereby the propertied people while retaining their property can still divest themselves of such possessions by holding the property in form of trust for the real beneficiaries.

His study of English Law also came to his help in deciding upon his divesting himself of all possessions.

To quote from his autobiography, “My study of English Law came to my help. Snell’s discussion of the maxims of Equity came to my memory. I understood more clearly in the light of Gita, teaching the implication of the world trustee... I understood Gita teaching of non-possession to mean that those who desired solution should act like trustees who, though having control over great possessions, regards not an iota of them as his own.”

In a letter to Polok on October 14, 1909, who was at that time in India, Gandhi employed the word ‘trustee’ for the first time. He wrote, “then the British rulers will be servants and not

masters. They will be trustees and not tyrants and they will live in perfect peace with the whole of the inhabitants of India.”

Laying his heart bare before the august audience assembled on the occasion of the opening of the Banaras Hindu University on February 4, 1916, he appealed to the ‘richly bedecked nobleman present on dias to strip themselves of the jeweler and ‘hold it in trust’ for their countrymen in India.

Gandhi divided property in two parts; gifts of nature and product of social living.

The gifts of nature include land, mines, natural resources etc. The second parts deals with manmade property.

He accepted trusteeship as a practical proposition which shall liberate the wealthy and the possessing class of their sin of acquisitiveness and greed and effect a change over in favour of egalitarian society.

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## 7.4 ORIGIN OF TRUSTEESHIP

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The trusteeship formula was evolved by Kishorilal Mashruwala, Narahari Parikh and others Professor Dantwala from Bombay had sent the draft of simple, practical trusteeship formula which he had prepared. It was placed before Gandhiji, who made few changes in it.

The amended final six-point draft contains the basic ideals of trusteeship as follows:

Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarters to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.

It does not recognize any right of private ownership of property except so far as it may be permitted by society for its own welfare.

It does not exclude legislative regulation of ownership and use of wealth.

Thus, under state-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interest of society.

Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that could be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable, equitable and variable from time to time so much so that the tendency would be towards obliteration of the difference.

Under the Gandhian economic order the Character of production will be determined by social necessity and not by personal whim or greed.

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## 7.5 BASIS OF TRUSTEESHIP

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According to J.D. Sethi, a well known economist, the theory of trusteeship is based on three Gandhian concepts: Non-violence, Swaraj and Equality which are inter-linked with one another.

Broadly speaking, Truth (Satya), Non-violence (Ahimsa), Bread Labour and Non-Possession (Aparigraha) led Gandhi to the concept of Trusteeship.

**Truth:** To Gandhi, truth occupies the first place and Ahimsa the second. In the course of his pursuit of truth, he discovered Ahimsa. His goal was truth. He wanted to realise truth through Ahimsa. To him truth is harmony of thoughts with words and of words with actions. To Gandhi, the statement, ‘God is Truth’ is only partial. The statement ‘Truth is God’ is all inclusive and pervasive.

**Non-Violence:** Gandhi saw that the idea of Trusteeship was inherent in the ideology of Ahimsa, “Non-violence is the law of the human race and is infinitely greater than and superior to brute force”. For him trusteeship was an inescapable stage in the methodology of a non-violent revolution. A votary of non-violence keeps away from possession. Every kind of possession is based on exploitation which is a form of violence. A non-violent society is a non-exploitative society. It can be non-violent only when it assumes economic equality. Equal distribution is the ideal.

**Bread Labour:** “The law, that to live man must work first came home to me”, Gandhi says, “upon reading Tolostoy’s writing on Bread Labour”.<sup>i</sup> Gandhi was very much influenced by this concept. For Gandhi, labour is the root of the entire creation. That too “to people furnishing and idle, the only acceptable form in which God can dare appear is work and promise of food as wages”.

**Aparigraha:** Aparigraha is the ethical ideal of non-possession; of the renunciation of ownership, of liberation from the subtle as well as the coarse bonds that possessions forge for one. It is a hoary ideal sanctified by every religion. The Isopanishad exhorts:

Tena Tyaktena Bhunjeethah: Ma Gridha Kasyaswiddhanam? (enjoy by renouncing do not covet or cling or to possessions, for, whose is wealth?)

Absolute non-possession is an abstraction. It is unattainable in its fullness. Non-possession does not mean remaining satisfied with poverty. Already Indian masses are suffering with hunger and poverty. They need not practice voluntary poverty. They have to work and get sufficient food. What Gandhi wanted was to avoid unnecessary possession by which individual and society are deprived of legitimate enjoyment.

Non-possession makes a man to keep everything open, trusteeship gets life. In trusteeship nothing is hidden. Everything that is excess from everyone joins the trust and is readily available to every needy.

Gandhi cited five reasons to explain why man should practice non-possession as follow:<sup>ii</sup>

1. Possession is not present in nature. God creates everything in accordance with the need of the hour. So possessing more than the need reveals man's thief mentality.
2. By birth man depends upon the things created by both nature and society. Using these without replacing them, depicts him a thief. Moreover, he stands as a debtor both to nature and society. So his duty lies in not indicating anything. Every when he uses anything he should replace them through his labour – physical, mental and spiritual.
3. Hoarding for future deprives the real needy.
4. The attitude of possessing leads to the multiplication of wants. Consequently, it results in the lack of peace both in the individual and in the society.
5. Possession implies all kinds of troubles. It is always accomplished by force. A man of faith in non-violence never resorts either to possession or to force; he prefers non-possession.

The concept of non-possession commands certain social implications which leads to trusteeship.

1. In a society where non-possession is in practice wealth is not the mark of respect.
2. Multiplication of wants is not the measure of civilization.
3. As every need is to be fulfilled by work, work is the medium of self-expression and existence.
4. A man of work possesses a right to honourable livelihood.
5. As all work has equal value all receive equal remuneration.
6. The means adopted is always based on truth and non-violence.
7. Such an ethical life leads everyone to attain self-realisation.

Non-possession to Gandhi is a noble idea. No doubt, practically he himself renounced his wealth. But possession grants a sense of satisfaction and security to man. So, Gandhi wisely offered a solution. Accordingly, he asked to shed possessiveness, if not possession, and greed for wealth, if not wealth itself. The rich may keep their wealth by considering their excess of wealth as the property of the community. They become the trustees of such wealth and use it for the welfare of all. As total dispossession is a remote possibility, Gandhi suggests: "I accept the proposition that it is better not to desire wealth, than to acquire it and become its trustees. But what am I to advise those who are already wealthy or who would not shed their desire for wealth? I can only say to them that they should use their wealth for service".

In this way Gandhi offered trusteeship as a realistic solution to set right the lopsided development of both individual and society.

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## 7.6 MEANING OF TRUSTEESHIP

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The concept of trusteeship is not Gandhi's creation it traced to Isavasya Upanishad.

In Indian context, 'trustee' is used in connection with temples and mutts. 'Trustee' means any individual who manages the temple property without any self-interest.

According to Devadatta Dabholkar, "voluntary surrender of privileges, power and prestige without expecting anything in return (even by way of appreciation or recognition) is trusteeship".

According to K. Arunachalam, "trusteeship means confidence reposed in a person with respect to property of which he has possession and over which he can exercise power for the benefit of some other person or object."

V.K.R.V. Rao found in 1970 Gandhi's vision of trusteeship "prophetic for the world" and, according to J.D. Sethi "in trusteeship, Gandhi produced a grand alternative to the prevailing economic organizations whether in the communist or capitalist countries."

The concept of trusteeship implies several meanings. A brief analysis of such meanings is given below:

### 7.6.1. TRUSTEESHIP AS AN ATTITUDE

Trusteeship as an attitude involves everyone's identification with the entire humanity.

According to G.S. Shroff, "trusteeship is an attitude. It has to come from within. It cannot be forced from outside. It can never be imposed on people for long. It should not be done."

H.K. Paranjape clarifies trusteeship as an attitude as follows: "To say that trusteeship is a matter of an attitude of the mind is in effect to say that there are certain ethical values which have always been, at least formally, endorsed by humanity. Truth, non-exploitation of others, honesty and helpfulness – even generosity towards others have been such values."

Arvind A. Deshpande says, "the Gandhian concept of trusteeship expresses enterprise to its workers, share-holders, consumers and the community and the mutual responsibilities of each to the other. This is the price of democracy. Without virtue in the individual and in the organ of society, democracy cannot survive."



### 7.6.2. TRUSTEESHIP AS A METHOD

Trusteeship is a method for the socialization of wealth. Wealth belongs to all. As God is the supreme and only owner of everything, to hold it exclusively with love alone, is a sin. Trusteeship as a method also stands for socializing everything. As a trustee, the capitalist becomes a co-sharer. At that moment all are joined as trustees for everything. There is no place for unnecessary personal claims. It drives every individual to achieve Sarvodaya.

### 7.6.3. TRUSTEESHIP AS A MOVEMENT

Trusteeship is not a choice, either to a capitalist or to a selfish bureaucrat. It is a movement towards social self management of industry. As a movement, it aims at a socio-economic and political arrangement in the society.

At personal level, trusteeship as a movement makes man strengthen himself.

At inter-personal level, trusteeship as a movement always tries to establish cordial relationship. It streamlines and strengthens the relations between the individual.

At the institutional level, trusteeship's role is laudable. As institution it stands for serving a common purpose. Trusteeship as a movement, goes against every kind of authority – economic, political and social etc. It is against the monopoly of decision making. In fact, trusteeship provides ample opportunity to human beings in all spheres.

### 7.6.4. TRUSTEESHIP AS A LEGAL INSTITUTION

Gandhi was ready to make trusteeship a legalized institution. He wants to give it a statutory form through the legislative channel.

He mentioned the following series of measures to bring about the change in the heart of the rich:

1. Appeal to the better instincts in the rich,
2. Persuasion,
3. Education regarding inevitability of change,
4. The greater unattractiveness of the alternative of change by violence,
5. Non-violent, non-cooperation by the exploited that would make the exploiters functioning impossible, and
6. Legislative action.

#### 7.6.4.1 Trusteeship Law should guard the following:

1. Non-production if good or services are of anti-social character.
2. Non-production of goods or services which contribute to modern degeneration.
3. Non-production of goods or services which prevent attempts at spiritual development.

4. Non-production of goods or services which prevent the development of the best in the individual consumer.

Trusteeship Law should provide scope for modern technology and methods of production. This should be in tune with natural harmony and ecological balance. Further it should safeguard the interests of coming generations.

Trusteeship Law should be for promoting cultural and aesthetic values in production and distribution. Work should be a thing of joy and self-fulfillment. No where pain or frustration or boredom be seen. Trusteeship law should provide for the separate registration of all economic activities.

Trusteeship system should be given privileges and incentives on par with co-operative institutions and philanthropic foundations.

Separate departments of trusteeship should be opened at both the centre and the state, separate ministers should be allotted.

The report of the ministers should be presented before the public and the legislations for free discussions and development.

Special recognition need to be given to trustee enterprises which contribute to the growth of the individual and the spiritual awakening.

An enterprise need not be registered under the trusteeship law with compulsion.

Without proper registration, no enterprise is entitled to special privileges. Gandhi's opinion was to see trusteeship as legalized institution. Accordingly the state has the following functions:

1. It has to give a statutory recognition to the institution of trusteeship.
2. It has to determine the rate of commission for the trusteeship.
3. It has to supervise the fulfillment of conditions of trusteeship.
4. Depending upon the end, it has to regulate and approve the appointment of a successor trustee, and
5. It has to disapprove a trustee, who fails to act in accordance with the basic features of trusteeship.

The constitution of trusteeship need not be governed by laws, as every law carries with it some violence. But Gandhi admits laws, sanctioned by public opinion.

U.N. Dhebar views Gandhian approach as follows: "The basic approach to the concept of the trusteeship which is a part and parcel of the law of property, is merely to ensure proper use of property for the benefit of its owner – subject to certain social obligations".

In fact, the purpose of Gandhian trusteeship is much wider and more fundamental than the narrow legal conception.

### 7.6.5. TRUSTEESHIP AS A THEORY

Theory of trusteeship no doubt is present in our epics and well practiced by our kings. In the modern world, life is becoming highly polluted because of his greedy nature. Gandhi has no other alternative than to bring trusteeship into human life. Gandhi's trusteeship is accepted by one and all in theory. But nobody is coming forward to put it in practice. Everyone wants freedom but not responsibility. As freedom is responsibility, no one prefers it. Freedom lies in self-ruling. In every field, the problem of master-slave exists. Economic field is not exception Gandhi found a way out to this problem. It is trusteeship that relates labour or work, directly to production but not to its price or to consumption. Every man has some talent. He has to go on producing the excess of his talents and pool it in the trust. His primary duty lies in production. At no time he should value it by attaching a rate. At the same time he should not produce anything with the view of self-consuming. This is well illustrated by the work done in our families. The mother prepares food for everyone in the family. It is produced not on the basis of equality, but according to the need of each person.

### 7.6.6. TRUSTEESHIP AS AN IDEAL

Every right thinking man has to put before him some goals or deals either as primary or secondary. Accordingly, he has to travel to fulfil them. Trusteeship as an ideal is there to perfect the human life of every individual here, on earth. It brings discipline, devotion and dedication, of a man's body and mind. A well trained personality is bound to realize himself which is the ultimate goal of every man. Thus, trusteeship is the best secondary ideal to push and place man as the fittest person for self-realisation.



#### *Check Your Progress- A*

**Q1. What are the sources of Trusteeship ?**

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**Q2. Discuss the Origin of Trusteeship.**

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**Q3. What is the Basis of Trusteeship?**

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**Q4. What do you mean by Trusteeship?**

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**7.7 NATURE OF TRUST**

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When a group of individuals join together and pour their excess of faith, a trust is born. The excess of either talent or property or wealth is put together for the proper utilization by the need in the society. The trust is a boon to the whole mankind. A trust contributor is above caste, creed, colour, age and sex. Trust belongs to no one. It is everybody's treasure. There is a need to look after the trust, which is a deposit of all the excess of the genuine needy. He is called a 'trustee'. He is selfless service-oriented personality. Without trust, any human transaction on this earth is impossible.

Gandhi said, "the most practical, the most dignified way of going on in the world is to take people at their word when you have no positive reason to the contrary".<sup>iii</sup> He further said, "I believe in trusting. Trust begets trust. Suspicion is fortid and only stinks. He who trusts has never yet lost in the world."<sup>iv</sup> He is so cautious that he has never broken a promise. To him, a breach in promise is a serious issue because it happens to our trust in others.

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## 7.8 QUALITIES OF A TRUSTEE

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A trustee is one who self-consciously assumes responsibility for upholding, protecting and putting to good use whatever he possesses, acquires or earns. He is always a moral giant. A trustee has no heir but the public.

Raghavan Iyer<sup>v</sup> describes the following as the essential characters of a trustee:

- a) He is self-governing
- b) He is morally sensitive.
- c) He always knows the unmet needs of others.
- d) He has the capacity to control and transmit his own tendencies.
- e) He always improves his generous feelings and altruistic hopes for others.
- f) He consciously keeps away all exploitative attitudes and relationships.
- g) He always strives to become self-regulating, reliable and sacrificial.
- h) He learns to think altruistically.
- i) He behaves with utmost purity and solicitousness, in his speech, touch and act. He is always alert to all situations both inner and outer. He holds that everything belongs to God, mankind and to future generations.
- j) He never exhibits the fear of multiplying his possessions talents and gifts.
- k) He never exhibits selfish indifference.
- l) He never hoards anything.
- m) He trains himself as a servant to the whole mankind.
- n) He enjoys inward moral balance.
- o) He lives with detachment.
- p) He reposes unshakable confidence in the ontological plenty of nature and in the inexhaustible resourcefulness of man.
- q) He has a benevolent and self-sustaining motive.

R.B. Upadhyaya also brilliantly enumerates twenty-four qualities of a trustee “which may work as general directions for the trustees to mould their personality traits accordingly.” These qualities are given below:

1. A trustee should be a man of high character, complete honesty on his part is presumed.
2. He should always act in good faith with the best of intentions for the benefit of the party that has reposed confidence in him.
3. His action should be taintless.

4. If there is even the slightest doubt he should always be ready to submit himself to the strictest of public scrutiny.
5. He must maintain accurate and correct accounts of receipts and payments, assets and liabilities of the trust. He should be prepared to get them audited and examined by independent and impartial authority.
6. He must practice, utmost frugality in regard to trust and money.
7. He should never use trust money and property for his personal work.
8. He should not believe in conspicuous consumption and vulgar display of wealth and must lead to a simple life not very much different from the living standards of the society.
9. He should possess business acumen and managerial talent.
10. By nature and conviction he should believe in the dignity of physical labour and should himself put in some physical labour daily.
11. He should try to eschew snobbery, high-brow and 'ivory tower' mentality and should not have fake airs about himself. He should be attracted towards the ideal of self enforcement.
12. He should know that he is more of a servant of the cooperation and not a boss.
13. He should be straight forward, simple and considerate but firm in his manners and behaviour.
14. He should behave like a leader of the group.
15. He should be a firm believer in individual dignity and freedom and should abhor flattery.
16. He should be committed to a sense of social responsibility and growth of his business within the bounds of fair trade practices.
17. He should belong to a higher level of need-hierarchy so that he is motivated more by social and self-realisation needs.
18. He should believe in building upon egalitarian society and should possess a judicial bent of mind in his behaviour towards all, particularly towards his opponents.
19. Though he may have material ambitions, he considers material prosperity as a means to an end rather than an end in itself. He should have a balanced view of life as a whole.
20. He should take philosophical view of life and should avoid excessive greed in his behaviour.
21. He should be a man of firm conviction in regard to basic and fundamental principles of life but at the same time he should know that in relation to the

numbers of the society a compromising temper in regard to details is a great asset.

22. He should be a man of drive and dynamism, active and dedicated to work.
23. Real understanding requires empathy – an attempt by one person to put himself in the position of another and then viewing the situation accordingly.
24. He should believe in the dictum, ‘service first and profit second’.

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## 7.9 PRESENT ECONOMIC THEORY VS. TRUSTEESHIP

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### Present Economic Theory

Alenation- man, society and nation

Materialistic approach

Market centric

Capitalism

Domination and conquest

Structural violence

Development

Freedom

Dichotomy- man and nature

### Trusteeship

Integration- man, society and nation

Humanistic approach

Man centric

Sarvodaya

Cooperation and change

Structural nonviolence

Sustainable development

Swaraj

Harmony – man and nature

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## 7.10 CRITICISM OF THE CONCEPT OF TRUSTEESHIP

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The principle of trusteeship has been subject to much misconceived criticism. It has been described as a ‘make-shift’, as an ‘eye wash’ as a shelter for the rich and as ‘merely appealing to the more fortunate ones to show a little more charity. It has been generally objected to, on the ground that as a means of affecting social transformation this theory, its ethical content notwithstanding is ineffective.

Professor M.L. Dantwala in his, ‘Gandhism Reconsidered’ quotes a Marxist appraisal of the doctrine.’ The division of the society into the property owning and the property-less classes, which is the characteristics of capitalism, is sought to be retained in Gandhism also. The only difference in Gandhism is that the erstwhile capitalist, property owning classes will consider itself trustee on behalf of the proletariat. The change is purely on the subjective sphere. The objective conditions of production will continue by remaining as they were in capitalism. Production will continue by unplanned private competition among the individual trustees.



These conditions of production have a compelling logic of their own which will lead to the same contradictions as are witnessed under capitalism today. The class appropriation of surplus value, which trust production will continue in a pious guise, will mean larger and larger accumulations of the capital on the one hand and pauperization of the masses on the other... These evils cannot be banished by wishing a change in the hearts and minds of the owners of property.

E.M.S. Namboodiripad has attacked not only his philosophy but his intentions also. In his own words, "Not only in relation to the rural poor, but also in relation to the working class and other sections of the working people his was an approach which, in actual practice, helped the bourgeoisie. His theory of trusteeship, his insistence on certain moral values as the guiding line for any political activity, the skillful way in which he combined his own extra-parliamentary activities (constructive programme and satyagraha) with the parliamentary activities of his lieutenants, the characteristically Gandhian way of combining negotiations with the enemy even while carrying on mass direct action against him – all these proved in actual practice to be of enormous help to the bourgeoisie in (a) rousing the masses in action against imperialism and in (b) preventing them from resorting to revolutionary mass action. This ability of his to rouse the masses and yet to check them, to launch anti-imperialist direct action and yet to go on negotiating with the imperialist rulers made him the undisputed leader of the bourgeoisie".<sup>vi</sup>

The criticism of theory has not been levelled only from the Marxist quarters. Even a sympathetic reviewer of Gandhian economics like Professor J.J. Anjaria doubts its validity as a long-term solution, "as a short-term measure, this is excellent, coercion is ethically bad, on any large scale, it is also not expedient. But the run away from the problem by merely appealing to the more fortunate ones to show a little more charity – awful word – is no solution".

Even Pt. Jawahrlal Nehru, Gandhi's political heir and most trusted disciple, wrote in his autobiography, "Again I think of the paradox that is Gandhiji. With all his keen intellect and passion for bettering the down trodden and oppressed, why does he support a system and a system which is obviously decaying, which creates this misery and the wastes? He seeks a way out, it is true, but is not that way to the past barred and bolted? And meanwhile he blesses all the relics of the old order which stands as obstacles in the way of advance – the feudal states, the big zamindaris and taluqdaris, the present capitalist system. Is it reasonable to believe in the theory of trusteeship to give unchecked power and wealth to an individual and to expect him to use it entirely for the public good? Are the best of us so perfect to be trusted in this way? ...And is it good for the others to have even these benevolent superman over them."

The main thrust of trusteeship is very broad and deep and is thus not easy to comprehend. There is no historical example of it to go by. Besides full trusteeship cases has not been experimented anywhere. The problem with this doctrine is that either it has been bitterly criticized or eulogized but not experimented Gandhi had a way of prescribing sugar coated quinine for the maladies of the society. He would administer the bitterest of truth under a

thick coating of a ahimsa. But his followers have developed a way of lapping up the sugar and spitting out the quinine. The theory of trusteeship has been dealt in the same manner. That is why the country has not yet been able to enact a statute on trusteeship through several efforts have been done for this.

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## 7.11 TRUSTEESHIP BILLS

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The late Dr. Ram Manohar Lohia had given notice of his intention to move an 'Indian Trusteeship Bill' in the Lok Sabha in March 1967. It was supposed to provide for the voluntary conversion into trust corporations of concerns owing industries, plantations, banks, trade, transport etc. The bill made detailed provisions for efficient management of trust corporations in the light of Gandhi's views on trusteeship. The President of India withheld sanction to the introduction of this bill in Lok Sabha on the ground that aforesaid provision made it a Money Bill. Dr. Lohia had appealed to the President for reconsideration, but death snatched him away before he could pursue the matter.

On November 21, 1969 George Fernandes introduced the same 'The Indian Trusteeship Bill' in the Lok Sabha but it lapsed without discussion.

Picking up the thread Atal Behari Vajpayee introduced the same on 18<sup>th</sup> April, 1975 but it also lapsed with the dissolution of the Lok Sabha in 1977.

The Janta Trusteeship Bill by Professor Ramjee Singh of April 20, 1978 also met the same fate.

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## 7.12 SUMMARY

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Gandhi had hoped that statutory trusteeship would be India's gift to the world but up till now we have not yet been able to fulfill this moral responsibility. "The mantra of trusteeship" writes Gadre, can infuse life into the skeleton of Gandhism which, if revived, will swallow us along with our comfortable arm chairs.<sup>vii</sup> Because of this fear we always try to find out some scapegoat here or there in its implementation. It will snatch away from our rulers, leaders, industrialists, bureaucrats, and other elites their luxuries and comforts and will distribute them into the masses. We will be able to realize Gandhi's dream only if in the pursuit of Truth, we prefer self-sacrifice to self-preservation.

It is heartening to note that recently some eminent social scientists have shown some renewed interest in the theory of trusteeship. Professor S.L. Malhotra, Professor Ramjee Singh, Professor N. Radha Krishnan and Dr. J.D. Sathi have shown particular interest in this field. Dr. J.D. Sethi in his 'Gandhi Today' have termed 'Trusteeship – The Grand Alternative'.

In the present day India, the theory has become more relevant. Here we have mixed economy model with a large public sector and a very large private sectors. But the distribution of resources is highly skewed in both, much more sharply in industry than in agriculture. The one hundred largest industrial firms control the lion share of the economy.

What is more frightening here is that the concentration of economic power in these houses keeps on increasing. The process of nationalization has resulted in the creation of a new bureaucratic class in whose hands all kinds of power get compounded. The workers lose their elementary right to struggle for higher wages, status, unions, etc.

Trusteeship provides an alternative mechanism for reducing the concentration of economic power. Prof. J.D. Sethi has suggested three steps for this.

Firstly, a certain percentage of the assets of large houses will have to be transformed to a set of trustees.

Secondly, all other new industries and firms will have to follow the principle of trusteeship.

Thirdly, some basic principles with respect of prices, 'distribution, wages, profits will have to be laid down for trusteeship firms'.

Critics may view that trusteeship is utopian in their nature. It is true that every idea looks like an utopia in the beginning. But given a proper attention and careful practice, nothing is beyond the human capacities. Every solution is always to solve a problem. Gandhi has studied the grave situation in human societies, where there is an increasing gulf between 'have' and 'have nots' aimed at establishing a classes society. As a great psychologist he thought that every solution which is based on faith alone can serve and save mankind. He realized that human faith tied with truth and non-violence alone is the most powerful one to bind the whole humanity into one, despite its dissensions and disparities. In this respect Gandhi is a great visionary in trying to establish 'Vasundhi Kakutam Bakem' (one would family).

Thus every individual by becoming a trustee for himself and for others can cater to the needs of the society. This may dispel all the disparities both in the individual and social levels and contribute to the welfare of all. Except this solution, there is no other alternative to the modern melodies of the mankind. This noble cause of saving the whole mankind made Gandhi to choose trusteeship. Here lies the greatness of Gandhi.

Many of his ideas, however, have yet to be fully imbibed. The need of the hour is that the leaders and the people of the country must follow the Gandhian principles in thought and action. The policy makers, politicians, intellectuals, economist and scientists must remember the **Talisman of Mahatma Gandhi**:

Whenever you are in doubt, or when the self becomes too much with you, apply the following test.

Recall the face of the poorest and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him.

Will he gain anything by it?

Will it restore him to a control over his own life and destiny?

In other words, will it lead to swaraj for the hungry and spiritually starving millions?

Then you will find your doubts and yourself melt away.

Gandhi's moral, ethical and spiritual approach to economics may be summed up under title seven social sins which Gandhi wrote in young India of 22.X.1925.

Politics without principles

Wealth without work

Pleasure without consciences

Knowledge without character

Commerce without morality

Science without humanity

Worship without sacrifice.



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## 7.13 GLOSSARY

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**Trusteeship:** Trusteeship as an attitude involves everyone's identification with the entire humanity.

**Aparigraha:** Aparigraha is the ethical ideal of non-possession; of the renunciation of ownership, of liberation from the subtle as well as the coarse bonds that possessions forge for one. It is a hoary ideal sanctified by every religion.



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## 7.16 TERMINAL QUESTIONS

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- Q1. What do you mean by Trusteeship?
- Q2. What are the Sources of trusteeship ?
- Q3. What is the origin of trusteeship? Also discuss the meaning of nature of trust.
- Q4. What are the qualities of a trustee?
- Q5. What is the present economic theory vs. Trusteeship?
- Q6. Discuss you views regarding criticism of the concept of trusteeship.
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## **UNIT 8 VALUES AND TEACHINGS FROM INDIAN SCRIPTURES-I**

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- 8.1 Introduction**
- 8.2 Objectives**
- 8.3 Values, Indian Scriptures, and Sanatan Dharm**
- 8.4 Scriptures of Sanatan Dharm**
- 8.5 Concept of Dharm**
- 8.6 Dharm in Valmiki's Ramayan**
- 8.7 Dharm in Mahabharat**
- 8.8 Dharm in Shrimadbhaagwat**
- 8.9 Dharm in the other Writings**
- 8.10 Dharm in Shri Ramcharit Maanas**
- 8.11 Holistic View of Dharm**
- 8.12 Tentative Summary of Major Philosophical Bases in the Scriptures of Sanatan Dharm**
- 8.13 Summary**
- 8.14 Glossary**
- 8.15 Answers to check your Progress**
- 8.16 References / Bibliography**
- 8.17 Suggested Readings**
- 8.18 Terminal Questions**

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### **8.1 INTRODUCTION**

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Scriptures of Sanatan Dharm contain a lot of knowledge about values and ethics. Since the scriptures of Sanatan Dharm are available in large numbers, it is appropriate to limit this study to a selected few books so that the analysis remains limited as well as complete to ensure proper understanding of the concepts. Accordingly, in this unit an attempt has been made to concentrate on a few scriptures only.



Since the term 'dharm' contains most of the values, ethical conduct, and the pattern of living, dharm has been explained with the help of references mainly from the four selected scriptures.

It is expected that the learners will be able to understand Sanatan Dharm and that they will be able to appreciate the Indian scriptures.

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## 8.2 OBJECTIVES

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After studying this unit, you will be able;

- to understand Sanatan Dharm;
- to learn the concept of dharma;
- to appreciate the importance of values as contained in Indian scriptures;
- to realize that Indian scriptures are the repository of values;
- to decipher that the values as contained in Indian scriptures address the entire human civilization and that these are not restricted to Hindus only;
- to understand that India's value-system extends not only to the people, and the environment, but also to the entire cosmos, and
- to get acquainted with and to appreciate the beauty, maturity, and richness of Sanakrit language and literature.

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## 8.3 VALUES, INDIAN SCRIPTURES, AND SANATAN DHARM

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By now, you must have understood the meaning of values. In a nutshell, values create the principles or living patterns which eventually lead to a fulfilling life, welfare, happiness, and prosperity for the individual, his/her society and even the environment in which one lives. So, values ensure,

- a) inner fulfilment;
- b) welfare, happiness, and prosperity;
- c) healthy and liveable environment, including prosperous business environment, and
- d) global peace.

It may not be very easy to understand the concept of values because of a variety of reasons, say the prevailing social environment, declining importance of ethics, culture, scriptures and all- pervading importance of wealth in our daily lives. Still, it is very interesting to note that there has always been an undercurrent of values in all the societies through their scriptures,

be that the large number of Indian scriptures, the Holy Quran, or the Holy Bible to refer to a few major beliefs and their scriptures only.

Here, it is proposed to discuss Indian scriptures, which are the largest repository of values prevalent in Indian society.

Many religious beliefs are flourishing in India and all the beliefs have their own scriptures which contain teachings about values, but in this unit we'll limit ourselves to the scriptures of Sanatan Dharm, popularly called Hinduism. Sanatan Dharm has a very long history in India and till the arrival of the believers of other faiths (that too much later), Sanatan Dharm or Hinduism was the only way of human conduct in this sub-continent. Even at present, the majority of the population is that of the Hindus, but believers of other faiths are also living happily. Each religion has its own scriptures, which also contain a lot of human values. However, the religious holy books of Islam and Christianity are not the Indian scriptures. So, here we'll concentrate on Sanatan Dharm and its scriptures. At this point itself, it would be appropriate to explain that 'Sanatan Dharm' and 'Hinduism' refer to the same scriptures, literature, culture, living patterns and mores of the life prevalent in this country. The Persians used the term 'Hindus' and 'Hindustan' in the 13th century AD. In fact, they referred to the people settled near and beyond the Indus, known as 'Sindhu' in Sanskrit. It was due to the difference in pronunciation that made them use the word 'h' in place of 's'. Thus, the Persians and Mongols called this country as 'Hindustan' and the people living in this sub-continent came to be known as 'Hindus'. Though, the term 'Hindu' was used even earlier to refer to the northern and central parts of India, but Minhaj –i- Siraj's<sup>1</sup> reference is very clear about it.

Thus, originally the people who culturally enriched this country way back were settled around the famous and sacrosanct river known as Saraswati, which had seven subsidiary rivers, a great source of water for Saraswati. Entire Vedic literature, which are respectfully referred to as the most sacrosanct scriptures are believed to have been, conceived, chanted and written in this area only. Since the living mores, patterns and culture of our ancestors have continued for a very long time, it is known as 'Sanatan', eternal, continuous or almost similar since a very-very long time. The other word in this nomenclature is 'Dharm' which carries the meaning different from the English word 'religion'. In Sanskrit, 'Dharma' refers to the guiding principles of the noble ways of human life and it was never confined to a particular system of worship or belief. Thus, the nomenclature 'Sanatan Dharm' refers to the way of life describing the ideal or the noble conduct of the people who lived in this sub-continent since the ancient times. Change is a natural and logical phenomenon, so everything has changed over the thousands of years, but the basic tenets of this Dharm still exist and these are observed by millions of the followers of Sanatan Dharm. A better and detailed description of the term Dharm shall be given later in this unit.

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<sup>1</sup> Minhaj-i-Siraj, a thirteenth century Persian chronicler

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## 8.4 SCRIPTURES OF SANATAN DHARM

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Thus, in this discussion values and teachings from the scriptures of ‘Sanatan Dharma’ or Hinduism shall be taken. The scriptures of Sanatan Dharm are numerous because a lot has been conceived by the sages over the period of thousands of years. It is believed that all the scriptures are not available now. But, whatever is available and in whichever form, whether pure or adulterated, it is enormous and it is not humanely possible for anyone to even list all the scriptures with authority. However, still there exists a huge body of scriptures, which are most popular and common amongst the learned as well the common people. Out of such a wide range of material, it would be better to name a select few only. These are as follows:

1. Vedas ;
  - a. Rigved
  - b. Yajurved
  - c. Sam Ved
  - d. Atharv-Ved
2. 11 main Upanishads (There are many Upanishads, perhaps over 1000, but 108 are usually available in print).
3. 18 main Puranas
4. Great Epics;
  - a. Ramayan (By Sage Valmiki)
  - b. Mahabharat (By Sage Vedvyas) (including Shrimadbhagvadgita, popularly called GITA)
5. Shri Ramcharit Maanas by Goswami Tulsidas.
6. Others (Narad Samhita , Manusmriti, Arthshastra by Chanaky etc. etc).

The size of these scriptures is also too wide and these sacred books contain a lot of material on a variety of issues, say

- I. stories of ancient times;
- II. ethics, culture and value system prevalent in that period, and even in the form of prescriptions for the humanity;
- III. flora, fauna, rivers and other geographical references, and
- IV. other systems (commutation, arms, warfare, agriculture etc.)

There exist some other interesting facts about these scriptures, i.e., these are in the form of poetry written in chaste euphonious language of Sanskrit and in many cases these were conceived by a large number of sages over a long period of time. It appears that these scriptures, barring a few, continued in oral tradition of ‘Gurus and Disciples’ for a very long time before appearing in the written form and much later in the printed form.

In order to highlight the values, references mainly from the following scriptures shall be taken;

- (i) Ramayan
- (ii) Mahabharat (excluding Gita)
- (iii)Gita
- (iv)Shri Ramcharit Manas



### *Check Your Progress- A*

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**Indicate whether the following are ‘true’ or ‘false’.**

1. Values of Sanatan Dharm are based on the utilitarian concept only.
2. Sanatan Dharm and Hinduism are the same.
3. Most of the Indian scriptures are in the form of prose.
4. Vedas were conceived by a particular sage.

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## **8.5 CONCEPT OF DHARM**

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As discussed earlier, Dharm is a wide term encompassing many aspects of noble human conduct. English term ‘religion’ does not convey the same meaning, because its meaning as given in the dictionaries is limited to, ‘belief in the existence of God or Gods or a particular system of faith and worship based on religious beliefs etc.’. Monier-William’s Sanskrit-English dictionary gives seventeen meanings of Dharm and it includes ‘religion’ and ‘the customary observance of caste, sect etc.’ amongst the various meanings given therein. However, later it incorporates righteousness and duty also. But one cannot properly understand and comprehend the meaning of ‘Dharm’ even from this widest possible list of meanings given for Dharm.

Thus, it is clear that the English word religion is limited to a pattern of ‘worship’, some concept of ‘God’ and certain ‘religious practices’, and as such the word religion cannot be a substitute for the Sanskrit word Dharm, because the latter is a way of life, ideal code of conduct, and repository of all the values. It has been repeatedly defined and explained in the huge body of Indian Scriptures, but for the sake of brevity, here we will concentrate on the following four books only, viz.,

- i. Valmiki's Ramayan,
- ii. Mahabharat (including Gita),
- iii. Shrimadbhaagwat Puran.
- iv. Shri Ram Charit Maanas.

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## 8.6 DHARM IN VALMIKI'S RAMAYAN

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Sage Valmiki's Ramayan is considered to be the first book of poetry (*Aadikaavy*) by one and all. This book and its characters are repeatedly referred to in Mahabharat, Bhaagwat and Puranas. It is the established truth that all other scriptures were conceived much later.

In Ramayan, 'Dharm' has been explained at many place but it is very interesting to note that Bhagwan Shri Ram has been referred to as the 'embodiment of dharm<sup>2</sup>'. By calling Ram as the embodiment of dharm, sage Valmiki directly refers to Bhagwan Ram's character, his deeds and his life, so the verse says,

'Ram is the embodiment of dharm. He is a *saadhu* (sage) and has the strength of truth. As Indra is the king of *devas*, Ram is the king on this earth.'

In Ramayan, Bhagwan Shri Ram has been characterized as a person gifted with all the possible virtues and goodness. In his life, as depicted in Ramayan, his deeds are a testimony to his virtues. His father, king Dashrath assertively says that nine (09) virtues are always there in his son<sup>3</sup>. These are; truth, offering money to needy, sages and others, i.e., 'daan', penance, sacrifice, observing friendship in the true spirit of the word, cleanliness, humility, true learning and reverence for teachers. So, these nine characteristic virtues permanently remain there in Bhagwan Ram. Further, sage Valmiki lists a large number of other virtues in him at different places in the text. A brief description is as follows;

- i. Indomitable strength.
- ii. Patience.
- iii. Intelligence of a very high order.
- iv. Wonderful orator.
- v. Control over his desires etc.

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<sup>2</sup> " रामो विग्रहवान धर्मः साधुः सत्यपराक्रमः ।  
राजा सर्वस्य लोकस्य देवानामिव वासवः ॥" – अरण्यकाण्ड, सर्ग-37, श्लोक सं० 13.

<sup>3</sup> "सत्यं दानं तपस्त्यागो मित्रता शौचमार्जवम् ।  
विद्या च गुरुशुश्रूषा ध्रुवाण्येतानि राघव ॥" – अयोध्याकाण्ड, सर्ग -12, श्लोक संख्या -30

In a nutshell, it can be said that he possesses all the noble virtues and he practices these virtues in his deeds at every stage in his life. Even his enemies appreciate him to such an extent that even Maarich tells Ravan in Aranykand that Ram is the embodiment of Dharm.

At this stage, even without going deeper into the narrative, as given in Ramayan, we may arrive at the conclusion that dharm consists of the noble code of conduct of human behaviour as depicted in Bhagwan Shri Ram's character and the finest of his deeds throughout his life; an ideal son, a great friend, a leader par-excellence, and an exemplary king whose reign 'RAM-RAJYA' is the cherished dream even today, and shall remain an ideal for ever.



### ***Check Your Progress- B***

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**Answer the following in one word each or in a few words.**

1. In Ramayan, who has been referred to be the embodiment of dharm?

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2. As per Ramayan, noble conduct of human behavior has been referred to as .....

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## **8.7 DHARM IN MAHABHARAT**

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Mahabharat is a large compendium of 06 books, which are the six volumes linked to the earlier ones. It is a common dictum about Mahabharat that anything which is not there in this book, never existed in this country during that period.

It is believed that the famous sage Vyas conceived this book. Since it is a huge book, it is the richest source of life, patterns of life, code of conduct for different sections of society, and of course about dharm.

Gita, famous all over the world, is a part of Mahabharat. It is included in the 3rd volume of Mahabharat. It is available as a separate book and it has been translated in most of the languages of the world. This book is venerated by the people for its most relevant and essential content related to human life.

In Mahabharat one finds very useful discourses about India's value system, dharm and so may other aspects of human life. There exist the following important discourses, containing ethics, values, and dharm;

- A. Discourse between Yudhisthir and Yaksh.  
(2nd Volume, Van Parv-Arany Parv, Chapter-313)
- B. Discourse between Vidur and Dhritrashtra.  
(3rd Volume, Udyog Parv-Prajagar Parv, Chapters-38, 39 and 40)
- C. Discourse between Arjun and Bhagwan ShriKRISHNA (Gita).  
(3rd Volume, Bheeshm Parv-Chapters 25 to 42)
- D. Discourse between Yudhisthir and Bheeshm.  
(5th Volume, Shantiparv and 6th Volume, Anushashan Parv-Chapters 1 to 166)

All the four discourses are full of beautiful verses containing a lot of material on ethics and values.

However, the scope of this unit does not allow to go deeper into all the aspects. Therefore, the analysis shall be limited and restricted to the concept of dharm as contained in Mahabharat in the following discourses;

**(A) Discourse between Yudhishthir and Yaksh;**

The discourse between Yudhishthir and Yaksh (who is actually the God of Dharm disguised as Yaksh) leads the readers to the following direct references to Dharm;

Dharm, disguised as Yakh, in the end, tells Yudhishthir,

'I am Dharm. I am manifested in good deeds, truth, control over one's desires, cleanliness (both external and internal), humility, honour for others, non-frivolousness, DAAN, penance and celibacy (insistence is on celibacy in thoughts)'. He refers to the above ten attributes to be his body, i.e., the body of Dharm<sup>4</sup>. Further, Dharm tells Yudhishthir about the routes to reach Him. These are; non-violence, equality, peace, kindness, and absence of jealousy<sup>5</sup>. Thus, as per this verse, one may attain Dharma by living a life, full of the above five patterns of conduct.

Prior to this statement given by Dharm, Yudhishthir, in one of his responses, (as given in verse no. 128 of chapter 313 of the same book<sup>6</sup>), says if dharm is not observed by a person,

<sup>4</sup> यशः सत्यं दमः शौचमार्जवं ह्रीरचापलम् ।

दानं तपो ब्रह्मचर्यमित्येतास्तनवो मम ॥ (वन पर्व, अरण्य पर्व, अध्याय – 314, श्लोक सं० –7)

<sup>5</sup> अहिंसा समता शांतिरानृशंस्यममत्सरः ।

द्वाराण्येतानि मे विद्धि प्रियो ह्यसि सदा मम ॥ (वन पर्व, उपर्युक्त, श्लोक सं० 08)

<sup>6</sup> धर्म एव हतो हन्ति धर्मो रक्षति रक्षितः ।

तस्माद् धर्मं न त्यजामि मा नो धर्मो हतोऽवधीत् ॥ (वन पर्व/अरण्यपर्व, अध्याय : 313, श्लोक सं० : 128)



dharm, in turn, destroys that person and on the contrary if a person observes dharm, it protects that person.

It is a beautiful verse, wherein it is established that by conducting one's life in accordance with dharm, one ensures one's protection and if this conduct is violated or not observed, it leads to doom and the message is loud and clear, 'O people! observe dharm!'

Further, in the course of this conversation itself there are many quotes wherein dharm has found expression, but in one of the verses<sup>7</sup>, Yudhishtir says that actually the core element of dharm is very difficult to understand and one finds different expressions of it (dharm) at different places, so in order to act in accordance with dharm, one ought to follow the conduct of great and noble ancestors and contemporary noble persons.

In a nutshell, this discourse is very valuable and it contains a lot of gems and jewels of values and beliefs in the form of the most valuable verses, but this discourse is closed here, with the hope that you will be able to understand 'dharm' by developing a proper understanding of the verses of this discourse, as well.

### **(B) Discourse between Dhritrashtra and Vidur;**

This discourse is contained in the 3rd volume of Mahabharat in Udyog Parv. In this discourse, the sage like minister and Dhritrashtra's step-brother, Vidur gives good counsel to the king. Thus, this discussion covers a very wide area of issues related to values and ethical conduct, but for the sake of brevity only a few selected references shall be quoted to substantiate the concept of dharm only.

Vidur says that there exist eight sources of dharm, say *yagna*, studies (of course studies leading to self-realization), daan, penance, truth, forgiveness, kindness and not being greedy<sup>8</sup>. In another verse, the basic element of dharm, truth has been established in a very rational manner. In this verse, Vidur says that truth protects dharm. At one place, Vidur insists that empire should be accepted in the *dharmik* manner, the subjects should be taken care of in the *dharmik* manner, and stable wealth can only be earned in the *dharmik* manner only (Verse No 31).

As mentioned earlier, this discourse is also very useful in providing a crystal-clear understanding on a lot of ethical issues, but in this analysis only the little content has been referred to develop the understanding of only dharm from this discourse.

### **(C) Discourse between Arjun and Bhagwan Shri KRISHNA – Gita;**

<sup>7</sup> तर्कोऽप्रतिष्ठः श्रुतयो विभिन्ना

नैको ऋषिर्यस्य मतं प्रमाणम् ।

धर्मस्य तत्त्वं निहितं गुहायां

महाजनो येन गतः स पन्थाः ॥

(वन पर्व/आरण्य पर्व/अध्याय : 313/श्लोक सं० : 117)

<sup>8</sup> इज्याध्ययनदानानि तपः सत्यं क्षमा दया ।

अलोभ इति मार्गोऽयं धर्मस्याष्टविधः स्मृतः ॥

(उद्योग पर्व/प्रजागर पर्व/अध्याय : 35/श्लोक सं० : 56) ॥

Gita is the basic source for a proper understanding of dharm, as contained in Indian scriptures. It is very difficult to select references from Gita, because a large number of verses relate to dharm. The first verse opens with the word dharm, describing the battlefield of Kurukshetra as *Dharmkshetra*, the war is referred to as the war for Dharm or *Dharmyuddha* and in the *de-facto* beginning of the discourse, Arjun says that he is confused about his dharm (Chapter – 2, Verse – 7) , and the book starts unfolding from this verse onwards to explain to Arjun as to what is his dharm or in other words what is it that he should do. An even better expression will be that it is explained to Arjun as to what ought to be the righteous conduct for him in the given circumstances.

Therefore, in Gita the focus area is Dharm in the form of righteous conduct, say what is doable and what is non-doable because it is non-righteous. Further, one finds mention about two new terms, viz., one's own dharm (*swadharm*) and the dharm of others (*pardharma*)<sup>9</sup>. In this verse, Bhagwan ShriKRISHNA makes it very clear that one must carefully decide one's own righteous conduct, and once it is final, it becomes one's own dharm or *swadharm*.

On the other, as per Gita, it is very important to understand that the dharm of others, howsoever virtuous, is not superior to one's own carefully decided and eventually accepted dharm. It is very interesting to find that another verse, almost similar to the earlier one, also appears in Gita, once again, in chapter -18 as verse no 47<sup>10</sup>. In this verse, one new dimension is added and it tells us that one's own dharm is decided in accordance with one's own nature.

Now, a little explanation about one's own nature would be appropriate. Prior to this particular verse, verse numbers 42 to 46 (Chapter -18) explain the natural classification of work amongst people in accordance with their nature, inherent capabilities and role responsibilities, say if one undertakes the job of defending the nation/it's people, it is one's job and one's own natural job in accordance with one's own inherent capabilities. Similarly, if some people are associated with agricultural activities, they gain the advantage of specific specialized knowledge about it. On the other, the agricultural scientists working in sophisticated research-labs and in experimental-farms are specialized in a different area, distinct from agricultural activities on the farms. These examples make it amply clear that each one has one's peculiar nature, peculiar learning, training, and accordingly one's own peculiar duty is decided, which is the *swadharm* of that person. In this verse the word "duty" or "karm" has specifically been used.

So, what is '*swadharm*'? It is actually one's own doable righteous duty finalized in accordance with one's nature, learning, training and of course the prevailing circumstances at a particular time and in a particular situation. Accordingly, Arjun, the hero of this epic, is a great warrior by nature, trained as a warrior, experienced as a warrior and under the

<sup>9</sup> श्रेयान्स्वधर्मो विगुणः परधर्मात्स्वनुष्ठितात् ।

स्वधर्मे निधनं श्रेयः परधर्मो भयावहः ॥ (अध्याय –3 / श्लोक सं० : 35) ॥

<sup>10</sup> श्रेयान्स्वधर्मो विगुणः परधर्मात्स्वनुष्ठितात् ।

स्वभावनियतं कर्म कुर्वन्नाप्नोति किल्बिषम् ॥ 18 (47) ॥

prevailing circumstances, it is his well-decided duty or his *swadharm* to comfort even his own revered teacher, his own beloved grandfather, and his own kins because all these people, willingly or unwillingly, are combined in the defence of injustice being done towards Arjun and his brothers. Arjun and his brothers have concluded (after marathon sessions of persuasion, counselling, and even after sending Bhagwan KRISHNA as the emissary for peace-talks, as well as, after making all the possible efforts for a peaceful resolution of the issue in question) that now they have no options left but to fight and eliminate the forces combined to deprive these five brothers to peacefully live even within a very small area of five villages.

This is actually *swadharm* or one's own dharma or one's own righteous duty. Here again, the direct reference is to righteous conduct and the situational process of its determination. Thus, the concept of dharm in Gita can be accepted as the righteous conduct in a particular situation.

It is further substantiated by one more beautiful verse in chapter-18 of Gita (Verse no. 66), wherein Bhagwan ShriKRISHNA assures Arjun in the end (almost) of the discourse that if you still have any confusions about the issue, as to what is your righteous conduct, then forget this confusion and come to me – 'I will lead you to the right path of *karm* or righteous duty.'

This verse no. 66 of chapter-18 needs to be understood with some other verses of Shrimad Bhagwad Gita, say verse numbers 2(7)<sup>11</sup>, 3(35), 18(47), 18(66)<sup>12</sup>, 18(72)<sup>13</sup> and 18(73)<sup>14</sup>.

Apart from the meanings emanating from complex rules of Sanskrit grammar, here the contextual and simple to understand meaning will only be narrated.

As it is well known that Gita has a large number of angles of understanding and analysis, say

- a) devotional song of bhakti;
- b) discourse between Arjun and ShriKRISHNA (two characters of Mahabharat);
- c) discourse between a true devotee and God;
- d) discourse between a yog- disciple and an accomplished yog-guru, and
- e) discourse between a dedicated disciple and his Guru etc.

<sup>11</sup> कार्पण्यदोषोपहतस्वभावः, पृच्छामि त्वां धर्मसम्मूढचेताः ।

यच्छ्रेयः स्यान्निश्चितं ब्रूहि तन्मे, शिष्यस्तेऽहं शाधि मां त्वां प्रपन्नम् ॥ 2( 7) ॥

<sup>12</sup> सर्वधर्मान्परित्यज्य मामेकं शरणं ब्रज ।

अहं त्वा सर्वपापेभ्यो मोक्षयिष्यामि मा शुचः ॥ 18 ( 66) ॥

<sup>13</sup> कच्चिदेतच्छ्रुतं पार्थ त्वयैकाग्रेण चेतसा ।

कच्चिदज्ञानसम्मोहः प्रनष्टस्ते धनञ्जय ॥ 18( 72) ॥

<sup>14</sup> नष्टोमोहः स्मृतिर्लब्धा त्वत्प्रसादान्मयाच्युत ।

स्थितोऽस्मि गतसन्देहः करिष्ये वचनं तव ॥ 18( 73) ॥

In this analysis, the last angle of analysis, *i.e.*, ‘discourse between a dedicated disciple and his/her Guru’, will be better to follow. This relationship truly does exist in Gita, as evidenced from verse numbers 2(7), 18(72) and 18(73).

In verse No. 2(7), Arjun says it explicitly to Bhagwan ShriKRISHNA, I am your disciple, please teach me, please show me the right path. I bow down at your lotus feet, being fully dependent on you (शिष्यस्तेहं शधि मां त्वां प्रपन्नम् ।). He, further, requests, please finalize my righteous conduct and guide me to the right path (यच्छ्रेयः स्यान्निश्चितं ब्रूहि तन्मे ।) for me.

This conversation is substantiated by verse nos. 18(72) and 18(73). In verse no. 18(72), Bhagwan ShriKRISHNA asks Arjun exactly as a Guru (teacher), who after completing a discourse (lecture) asks the learners, “Did you understand what I explained?” In the same vein, and in the same spirit the Guru (Bhagwan ShriKRISHNA) asks Arjun, “Did you listen to me carefully and with concentration? Whether your confusion is over by now?” In response to this direct question from his Guru, the disciple (Arjun) aptly says, “Yes my confusion is over and I have regained my righteous senses by your grace and now I stand here without any confusion, whatsoever. Eventually, I will proceed in accordance with your guidance”. Here it is noteworthy that in the beginning [verse no. 2(7)], Arjun was suffering from confusion only and now he says that his confusion is over.

Thus, these three verses establish the relationship of a Guru and a Disciple between Bhagwan KRISHNA and Arjun. This is how the Guru speaks with authority in verse number 18(66).

In this verse the Guru gives the final assurance to His disciple, “In case you still have even an iota of confusion about the righteous duty, just forget this confusion regarding righteously doable or non-doable, please come to me and I will show you the right and the final path. Then you will never have the guilt of not being able to have chosen the correct righteous duty (dharm) for your own self in this situation.”

Anyone who reads this verse normally gets confused as to how can Bhagwan KRISHNA say “Come and seek refuge in me after leaving all the dharmas (सर्वधर्मान्परित्यज्य मामेकं शरणं व्रज ।)”. Just imagine, earlier he insists twice that it is better to die, while performing your own dharm, and in the end he says that forget all the dharmas. It appears confusing unless one accepts either this angle of Guru-disciple relationship or unless one goes to the learned scholars of Sanskrit grammar to fully understand the grammar based meanings of the particular words used in these verses.

Thus, the foregoing analysis establishes it that dharm, as mentioned in Gita, directly refers to the righteous conduct of an individual in the given circumstances. It also proves that the concept of dharm is not a static concept, rather it is a dynamic concept. It is dynamic in the sense that dharm identified under the given circumstances may not always hold good and it may not be replicable for others, facing a different set of circumstances. This is how the concepts of ‘*swadharm*’ and ‘*pardharm*’ are found in Gita. Another argument may also be used to explain the dynamic nature of the concept of dharm and particularly *swadharm*. One may note that in the *dharmyuddh* of Mahabharat, it was Arjun’s *swadharm* to fight his own loving grandfather Bheeshm, and his own loving as well as the most revered teacher

Dronacharya. This *swadharm* was determined by the prevailing circumstances, and no-one should accept it to be a static dharm.

Thus, the concept of dharm as given in Gita has been discussed in the preceding analysis from one angle only and in a very limited sense. In order to understand, appreciate and follow it properly, one needs to go deeper into the 700 verses of *Shrimadbhaagvat Gita*.

The last discourse of Mahabharat as hinted at earlier is between Yudhisthir and Bheeshm. It is very long and full of a lot of valuable content about not only dharm, but about the entire value system prevailing in India during that period.



### Check Your Progress- C

#### Fill in the blanks.

1. Gita is included in .....
2. As per Mahabharat if a person does not observe dharm, he/she is .....
3. As per Gita, dharm has been described as .....
4. There are ..... (in nos.) verses in Gita.

## 8.8 DHARM IN SHRIMADBHAAGWAT

Shrimadbhaagwat is a very valuable resource-base regarding various aspects of life including dharm. In Bhaagwat, there is a very detailed mention of dharm in verse numbers 08, 09 and 10 of chapter – XI of 7th Skandh as contained in Book-1. This mention has reference to a conversation between Yudhishtir and the divine sage Naarad<sup>15</sup>. In this conversation, in all thirty characteristics of dharm have been mentioned, but only the selected few shall be elaborated for the purpose of this analyses.

<sup>15</sup> सत्यं दया तपः शौचं तितीक्ष्णः शमो दमः ।  
अहिंसा ब्रह्मचर्यं च त्यागः स्वाध्याय आर्जवम् ॥ 08 ॥  
सन्तोषः समदृक् सेवा ग्राम्येहोपरमः शनैः ।  
नृणां विपर्ययेहेक्षा मौनमात्मविमर्शनम् ॥ 09 ॥  
अन्नाद्यादेः संविभागो भूतेभ्यश्च यथार्हतः ।  
तेष्वात्मदेवताबुद्धिः सुतरां नृषु पाण्डव ॥ 10 ॥ (श्रीमद्भागवत, सप्तम स्कन्ध, अध्याय – 11)

Accordingly, truth, kindness (towards all), penance, cleanliness (both external and internal), forbearance, rational thinking about right and wrong, control over undue thoughts of mind, control over undue desires, non-violence, celibacy, sacrifice, self-awareness, simplicity, satisfaction, considering each-one to be equal, respect and honour for sages and scholars, and trying to get rid of the mundane and transitory pleasures are mentioned as the characteristics of dharm. Bhagwat is a devotional book dedicated to Bhagwan KRISHNA, but it contains a lot of material on the other aspects of life, as well. Thus, it has references to dharm at many places but again for the sake of brevity, only one references is being quoted.

## 8.9 DHARM IN THE OTHER WRITINGS

The earliest available Indian scriptures are the Vedas and it is a very popular statement regarding dharm in Vedas that Vedas are the root of entire dharm (वेदोऽखिलो धर्ममूलम्) or the Vedas contain the basic tenets of the entire concept of dharm. Similarly, most of the other scriptures of Sanatan Dharm contain direct or indirect references to dharm.

Manusmriti defines dharm in a very logical and compact manner in chapter-6, *Mantr* No. 92<sup>16</sup>. According to this *mantr*, there exist ten characteristics of dharm. These are as follows;

- 1) Carriability, i.e, origin of the word dharm is from the Sanskrit root (*dhatu*) '*dhr*' which refers to its carriability, and it means that one should be able to live with it, or one should be able to lead life in accordance with it.
- 2) Forgiveness.
- 3) Control over one's *MANAS* मनस - As Brahmbindu Upanishad<sup>17</sup> says *manas* is the root cause of bondages or liberation of human beings. If one's *manas* is attached to desires of various subjects, one becomes a bondage of these subjects only and on the other if one has control over one's *manas* one may move on to happiness, freedom and attainment of the higher objectives of human life. So, in one word '*dam*', Manu has included a lot of philosophical postulates.
- 4) Not to Steal (*Asteya*) :- '*Asteya*' is also a very wide term. In a narrow sense it is limited to the phrase, 'not to steal', but its true concept extends to a wider meaning which includes not to take, accept or even desire for anything, one does not deserve.
- 5) Cleanliness:- It is also a very wide term including external cleanliness of body and internal cleanliness of mind and consciousness (*manas, buddhi and chitta*). For internal cleanliness sage patanjali has prescribed yog having eight components (*yam, niyam, aasan, pranaayam, pratyahar, dhaarna, dhyan* and *samadhi*).

<sup>16</sup> घृतिः क्षमा दमोऽस्तेयं शौचं इन्द्रियनिग्रहः ।

धीर्विद्या सत्यमऽक्रोधो दशकं धर्म लक्षणम् ॥ (मनुस्मृति, अध्याय – 6 , मंत्र सं० – 92)

<sup>17</sup> मन एव मनुष्याणां कारणं बन्धमोक्षयोः ।

बन्धाय विषयासक्तं मुक्त्यै, निर्विषयं स्मृतम् ॥ (ब्रह्म बिन्दु उपनिषद / श्लोक सं० – 2)



- 6) Controlling the unwarranted desires.
- 7) Intellect – Discerning intellect which can rationally decide as to what is right and what is wrong.
- 8) True Learning:- In Indian scriptures the term used is ‘*Vidya*’ which refers to true learning about self, life, its existence and its very purpose. Interestingly, the antonym of ‘*vidya*’, i.e; ‘*avidya*’ has also found place in our scriptures. ‘*Avidya*’ refers to mundane knowledge about worldly affairs leading to so-called happiness as well as so-called satisfaction. However, ‘*avidya*’ is not a negative term and it is also very useful for the day to day life. One must, therefore, learn to create a balance between *vidya* and *avidya*. Eventually, of course, *vidya* leads a person to real knowledge leading to real happiness and ultimate contentment.
- 9) Truth:- This is one of the most important components of dharm. It has been held as most important in most of the scriptures of Sanatan Dharm and even in the other faiths/beliefs like Islam and Christianity.
- 10) Not to be angry: - Not to have anger is also a very important component of dharm because anger takes away the decision making capacity of an individual (Please refer to *shlok* numbers 62 and 63 of chapter -2 of Gita which give a detailed account of the damage caused by anger).

Thus, Manusmriti gives a very compact definition of dharm through these ten characteristics like carriability, forgiveness, control over manas, not to steal, cleanliness, controlling the unwanted desires, discerning intellect, true learning, truth and not to be angry.

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## 8.10 DHARM IN SHRI RAMCHARITMANAS

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*Shriramcharitmaanas* or ‘*Maanas*’ by Goswami Tulsidas is also a very valuable source of inputs about dharm. It is very important to refer to *Maanas* because it is so deeply embedded in the psyche of Hindi-speaking milieu of northern and central India that in most of the areas if some debate, even an acrimonious debate, takes place, it is ultimately settled after quotation of references to the relevant couplets from *Maanas*. It is difficult to imagine about an issue which is not there in *Maanas*. Even the concept of dharm is very beautifully explained in this book.

There exist a large number of references to dharma but here we will understand the most elaborate account of dharm which is mentioned in Lankakand (*Doha* numbers 79 to 80 (क)). In this reference, prior to the terminal battle between Shri Ram and Ravan, Vibhishan comes to Bhagwan Shri Ram and asks him that he is without a chariot, and of course even without any safety cover *etc.* Thus, how will he win over the mighty enemy? Noticing this worry of Vibhishan, Bhagwan Shri Ram explains the chariot of victory to Vibhishan. In this discourse, the reference is to a physical chariot, but actually the issue of one’s own internal strength,



based on the noble conduct and righteous life has been enumerated. He says that in this chariot;

- 1) valour and patience are the wheels;
- 2) truth and good conduct are the rod and the flag;
- 3) strength, discerning intelligence, control over one's desires and attitude of welfare for others are the four horses;
- 4) forgiveness, kindness and equality are the ropes handling the horses;
- 5) faith in God, or remembering God is the intelligent charioteer;
- 6) non-attachment is the protective shield and contentment is the sharp sword;
- 7) *daan* is the broad edged sharp axe and intellect is a very powerful weapon known as '*shakti*';
- 8) superior scientific knowledge is the undefeatable bow;
- 9) very stable and clean mind is the quiver (*tarkash*);
- 10) *sham*, *yamas* and *niyamas* are the different types of arrows, and [
  - a) *Sham* - Control of *Manas*
  - b) *Yamas*<sup>18</sup> - Social code of life . There exist 05 *yamas* as per sage Patanjali.

These are :

- i) Non- violence (*Ahimsa*)
- ii) Truthfulness (*Satya*)
- iii) Not to steal or honesty (*Asteya*)
- iv) Sensual abstinence (*Brahmacharya*)
- v) Non- acquisitiveness (*Aparigraha*)
- c) *Niyamas*<sup>19</sup> - These are the fixed rules or personal codes. These are also five;
  - i) Cleanliness (*Shouch*),
  - ii) Contentment (*Santosh*),
  - iii) Austerity, tapas (*tapah*),
  - iv) Good studies/ self studies/studies leading to self awareness (*swayadhayay*), and
  - v) Surrender to God (*Eshwar Pranidhan*) ]

11) regard and honour for Guru and Brahmins is the protective body gear.

<sup>18</sup> अहिंसासत्यास्तेयब्रह्मचर्यापरिग्रहा यमाः ॥ 2(30) ॥ – योग सूत्र, महर्षि पतंजलि ।

<sup>19</sup> शौचसंतोषतपः स्वाध्यायेश्वरप्रणिधानानिनियमाः ॥ 2(32) ॥ – योग सूत्र, महर्षि पतंजलि ।

Finally, Bhagwan Shriram says that this is the best system/arrangement/ technique for victory and nothing else can surpass it<sup>20</sup>. He, further, says that the one who is equipped with such a *dharmik* chariot, he will not find any potent enemy to win<sup>21</sup>. In the end, Goswami Tulsidas ji puts the final word that if one is equipped with this sort of a chariot, one will win even the most invincible enemy<sup>22</sup>.

It is one of the most remarkable of all the descriptions of dharm. It covers a long range of attributes and it is based on a very deep understanding of dharm by the immortal poet.

It is also noteworthy that this chariot has been described to be essential for victory, which is the cherished goal/mission of every individual and organization. What we actually strive hard for? Undoubtedly, it is the success or victory and if one tries to achieve success by shady or foul means, it can never remain stable and of course it will never result in happiness or real pleasure of success.

The proper analysis of this ‘chariot of victory’ may require a lot of space and time, but in this case it is stopped here. In fact, each *choupai/doha/sortha/chand* or *shlok* of Shri Ramcharitmanas is a quotable quote and in a large part of this country it is revered like the other venerated scriptures. Another interesting feature of this book is that it encompasses the entire social structure and as such it is used as the final word in confusions or debates related to the day to day affairs in whole country but especially in north and central India.



### Check Your Progress- D

**Answer the following in a few words or in one sentence.**

1. What is the concept of internal cleanliness?

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2. Indicate very briefly the concept of ‘*asteya*’.

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<sup>20</sup> कवच अभेद्य बिप्र गुरु पूजा । एहि समय विजय उपाय न दूजा ॥ 5 ॥

<sup>21</sup> सखा धर्ममय अस रख जाके । जीतन कहँ न कतहुँ रिपु ताके ॥ 6 ॥

<sup>22</sup> महा अजय संसार रिपु जीति सकइ सो बीर ।

जाके अस रथ होहि जग सुनहु सखा मतिधीर ॥ 80 क ॥

3. What are the 'yamas'?
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4. In abstract sense what is the real purpose of describing the metaphor of 'chariot of victory' in Shri Ramcharitmaanas?
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## 8.11 HOLISTIC VIEW OF DHARM

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Based on the analysis of the term 'Dharm' in the preceding pages, certain conclusive statements can be framed, say

1. The very origin of this word refers to its carriability, *i.e.*, one should be able to carry it or be able to live with it.
2. Dharm is not a religious notion or belief or a system of worship as denoted by the word 'religion' of English language. Accordingly, one should not use the word religion to refer to dharm.
3. Dharm, on the other, is a social and personal code for leading a noble life eventually ensuring a happy, peaceful and welfare-oriented society.
4. Dharm has a large number of attributes which may be unique, individual as well as common and general.
5. Concept of dharm is a dynamic concept, *i.e.*, it is decided with reference to the particular situation prevailing at a point of time or over a certain period of time.
6. Most of the attributes of the ethical values are contained in this term 'dharm'. In other words, dharm is the repository of values. If one is asked to define it in a few words or a sentence it may be a difficult task. Therefore, proper understanding of this term should be developed in view of the foregoing analysis.

As per Gita, one may define dharm as the righteous conduct or righteous duty of an individual. In true sense dharm is for every one and it is the basis of human life in this country.

In order to know the values and teachings from Indian scriptures, it is very important to properly decipher the concept of dharm, because there exists a lot of misunderstanding about dharm. Some of the common misunderstandings or misconceptions noticed are as follows;

- i. Dharm and religion convey the similar meaning.

- ii. Dharm is a conservative idea leading to disruptions in the society or it disintegrates the society.
- iii. Dharm is usually confused with Hinduism, Islam or Christianity.
- iv. Some common usages in Hindi, like धर्मनिरपेक्ष / धर्म परिवर्तन / धार्मिक तनाव / धार्मिक उन्माद *etc.* are totally baseless and incorrect.
- v. Dharm and politics can never go together *etc.*

On the contrary, the truth is otherwise and no one can afford to turn his/her face away from dharm (being *dharm nirpeksh*). Indian concept of dharm is so neutral that most of its attributes are very well accepted in most of the faiths, beliefs or religions. Gandhi ji had said that there can be no politics without dharm. He also insisted that dharm should be the basis of business ventures as well.

So, this concept of dharm is really vital for a happy, prosperous and peaceful life on this earth. The only critical issue is to understand it in the correct perspective.

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## 8.12 TENTATIVE SUMMARY OF MAJOR PHILOSOPHICAL BASES IN THE SCRIPTURES OF SANATAN DHARM

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If one attempts to list all the particular values, as contained in the scriptures of Sanatan Dharm, it will result in a huge volume and yet the list could remain incomplete. Therefore, instead of listing the particular values and describing the same, it would be better to focus on some famous philosophical bases, which contain a lot of values. These conceptual postulates shall be presented exactly as given in our Sanskrit text. These are as follows;

- 1) ‘सत्यमेव जयते’ Truth always prevails.

Truthfulness has been accorded a very important place in Indian scriptures and one may find it's mention almost everywhere. Sage Valmiki in Ramayan says in shlok number 13 of Sarg 109 of Ayodhyakand that in this world truth is the only God, dharm is based on truth, truth is the root of everything else, and there is no other status as high as truth<sup>23</sup>.

One will find so many verses in the praise of truth but this one by sage Valmiki appears to be a classic statement. So, truth or truthfulness is a very important value which finds prominent mention in all the scriptures.

- 2) अहिंसा परमो धर्मः Non-violence is the supreme dharm.

Non-violence is a peculiar attribute of Sanatan Dharm. It refers to care, kindness and love for mankind as well as for the animal world, and even for the nature. However, it

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<sup>23</sup> सत्यमेवेश्वरो लोके सत्ये धर्मः सदाश्रितः ।

सत्यमूलानि सर्वाणि सत्यान्नास्ति परं पदम् ॥

श्रीमद्वाल्मीकीय रामायण, अयोध्याकाण्ड, सर्ग 109, श्लोक सं० – 13

does not indicate the weakness of any sort. It is believed that those who are very strong and equipped with all the strength to counter can only observe true non-violence. So, in any sense, non-violence does not refer to weakness or surrender.

- 3) वसुधैव कुटुम्बकम् Entire earth is one extended family.

This thought, belief and conduct in accordance with this conceptual postulate is also a unique feature of the value system of Sanatan Dharm. This country has always acted in accordance with this belief.

- 4) सर्वे भवन्तु सुखिनः Happiness for all.

This prayer regarding happiness for all is again a unique feature of Sanatan Dharm. In this prayer, it is prayed that everyone should get happiness, each person should remain free from diseases and that each one should view others with the feeling of welfare and that no-one should be subjected to pain or sorrow.

- 5) आनो भद्राः क्तवो यन्तु विश्वतः Let noble thoughts come to us from the entire cosmos:

This is also a unique pillar of Sanatan Dharm wherein it is prayed that let noble thoughts come to us from every side/ everywhere/ from the entire cosmos. It amply exhibits the character of our great sages. It is difficult to find such a unique value in literature on ethics and values.

- 6) 'आत्मनः प्रतिकूलानि परेषां न समाचरेत्' 'That what is not good or favourable for you, should never be done against others.'

This *shlok* from Padam Puraan is a classic example of the very root of ethics and ethical thinking. Look at the beauty of just one line of the *sholk* that it sums up the entire concept of ethics. The complete *shlok*<sup>24</sup> is even more beautiful because it gives an additional command as well. It says,

'Listen to the very essence of dharm and once you have listened to it and understood it, live with it thereafter in the spirit that what is not good or favourable for you, should never be done against others.'

It is a proof of the maturity and liberality of our sages.

- 7) 'एकम् सत विप्राः बहुधा वदन्ति' 'The truth is one even though the scholars speak about it in different ways.'

It is the best example of the assimilatory approach wherein ideas and thoughts of others are given due respect and acceptance. In fact, it can be inferred that this

<sup>24</sup> " श्रूयतां धर्मसर्वस्वं श्रुत्वा चैवाप्यवधर्यताम् ।  
आत्मनः प्रतिकूलानि परेषां न समाचरेत् ॥  
यद्यदात्मनि चेच्छेत तत्परस्यापि चिन्तयेत् ।  
आत्मनः प्रतिकूलानि परेषां न समाचरेत् ।"

(पद्मपुराण, सृष्टि (19.357–358)

principle proves the very assimilatory nature of this country. It is this approach which has led to easy acceptance of teachings of other religions in India.

- 8) ‘तेन त्यक्तेन भुज्जीथा’ ‘Consumption with the underlying idea of sacrifice.’

It is also a very valuable and unique concept which teaches us to consume only as per the need and not as per the greed, *e.g.*, take water or food-stuff in accordance with your need, and do not try to hoard or store the entire lot, or if you are compelled to cut the wood, take only as per your need and plant more trees to make up for your consumption.

Today, when the entire world is swayed by consumerism, our ancestors (the sages) taught us the minimalism, *i.e.*, consume only when you need it and that too with the underlying idea of conserving the resources for future generations.

- 9) ‘ऋते ज्ञानान् मुक्तिः’ ‘There is no liberation without Gyan.’

It speaks volumes about the approach of our sages who said that *gyan* is the source of liberation. The same thought process is echoed in another famous quote, ‘सा विद्या या विमुक्तये’ - or it is the same real learning which leads to liberation.

It proves that we have always been a society, which laid the maximum emphasis on *gyan* or true wisdom. The contemporary world is talking about knowledge-era and knowledge-assets, but since the ancient times we have been a *gyan*-centric society. English word knowledge is not a correct substitute for *gyan*, because it is the much superior concept conveying the sense of a very high order.

- 10) ‘जननी जन्मभूमिश्च स्वर्गादपि गरीयसी’ ‘The mother and the motherland are superior to heaven’

This statement fills the people with the feeling of the highest respect for our motherland. Such a philosophy makes people love their county and they get ready to sacrifice even their lives for protecting their motherland.

- 11) Other philosophical statements related to individual upliftment of people;

The statements given from 1 to 10 are the generic statements applicable for individuals, the society, the nation or even the nations but there exist a lot of other famous philosophical tenets which directly address individual growth and upliftment. *Shrimadbhagwad Gita* is the treasure of such precious statements, but such thoughts exist everywhere in the vast body of scriptures of Sanatan Dharm. A few examples may be good to learn, say

- (i) मन एवं मनुष्याणां कारणं बन्धमोक्षयोः – Thoughts in the minds of people are the cause of their bondages and liberation both.
- (ii) ‘तत्त्वमसि’ :- ‘You are the manifestation of God.’

It tells us that human beings are inherently divine. Once this thought settles in one's psyche, one will consider each one to be equal and the reflection of the same divine reality.

- (iii) 'उत्तिष्ठत जाग्रत प्राप्य वरान्निबोधत!'<sup>25</sup> O humans! arise, awaken and obtain *gyana* from the awakened people! Swami Vivekanand used this verse of *Kathopanishad* again and again. It's the excellent message for the mankind and especially the youth.
- (iv) 'संगच्छध्वं संवदध्वं सं वो मनांसि जानताम्!' – Let's move together, let's speak together and let's know each other's mind to move further in life.
- (v) 'अति सर्वत्र वर्जयेत्!' – Excess of everything (even good actions or deeds) is bad.

These five statements have been quoted as the representative samples to motivate the learners to explore further on their own. In addition to Sanskrit literature, the literature in the other languages of India also contains many valuable statements, sayings and commands which guide the people towards goodness of every sort or the observance of ethical conduct, but Sanskrit is truly the soul of India and it's literature is really unique in terms of its size and its beautiful, mature and euphonious verses which are available in large numbers even at present, notwithstanding the ravages of time and unimaginable deliberate destruction both.



### Check Your Progress- E

#### Write True or False.

1. Concept of dharm is a dynamic concept.
2. The two words 'religion' and 'dharm' convey the similar meaning.
3. Non-violence is not a peculiar or unique attribute of dharm.
4. Goswami Tulsidas composed the Ramayan.

#### Answer the following in a few words

5. What is the 'statement of purpose' or motto (ध्येय-वाक्य) of the Government of India?

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<sup>25</sup> कठोपनिषद्, अध्याय-1, तृतीय बल्ली, मंत्र सं० 14.



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## 8.13 SUMMARY

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- Values, as contained in Indian scriptures, refer to a pattern of living and conduct. In ancient India values were not observed to ensure their resultant benefits or utility, rather it was a usual way of life. Indian scriptures are the richest source of values.
- Most of the values, as per the Indian scriptures, are contained in Dharm. This term has been grossly misunderstood and misused, while it is a very noble and neutral term, which has no direct relationship with the English word religion.
- In this unit, the concept of Dharm has been logically explained mainly with the help of references from Ramayan, Mahabharat, Bhaagwat and Ramcharitmanas. Concept of dharm as contained in Gita has been separately analysed.
- Finally, the major philosophical bases from the Indian scriptures have also been referred to.



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## 8.14 GLOSSARY

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**Sanatan Dharm:** It refers to the eternal noble conduct of the people of Indian Sub-continent since the development of human culture and civilization. Later, people who lived in this sub-continent were called as Hindus by the Persians. Over the period of time, ‘sanatan dharm’ and ‘Hinduism’ came to be used as interchangeable words.

**Dharm:** It refers to the noble conduct or the ideal pattern of behavior being observed by the people of this sub-continent since ancient time. The term religion of English language is not a substitute for dharm. Since there is no equivalent word for dharm in English language, one must use the word dharm only.

**Daan:** To a limited extent daan is indicated by charity, but in the true-sense ‘daan’ is a wider term denoting money and other offerings to sages, noble people and even to the needy persons and institutions.

**Righteousness:** It refers to the appropriate conduct or appropriate action. In Gita, dharm is referred to as the righteous duty.

**Discourse:** It refers to a long and serious discussion on a subject or subjects or issue or issues in speech or in writing.

**Manas:** It refers to one of the components of mind, because Indian sages have named four compartments of mind, viz., *manas* (mind), *buddhi* (discerning intelligence), *chitta* (consciousness) and *ahankar* (ego). Therefore, the English word mind is a limited substitute for the Sanskrit word *manas*, and in this unit Sanskrit word *manas* has been used.

**Asteya:** It refers to the phrase 'not to steal' in a limited sense, but technically it means 'not to take' and 'not even to desire' for anything in an unauthorized manner.

**Vidya/Avidya/Gyan :** *Vidya* and *Gyan* convey almost the similar meaning, i.e., the learnings which lead to real knowledge about some fundamental queries like, who am I ? what is the purpose of my life *etc.*? Thus, the learnings which help a person to arrive at the correct answers to these questions are *vidya* or *gyan*, though as per Sanskrit grammar both these terms are also different, but here only the usage based meaning has been accepted. Therefore, *vidya* and *gyan* have been used to convey the same meaning in this unit.

*Avidya*, on the other is not ignorance, rather it is the learnings or knowledge about the mundane affairs of life. Accordingly, the modern studies in social-sciences or the other sciences may be considered to be *avidya* but there should be no clash between the two learnings, rather, the modern society must make the serious efforts to create a subtle sense of synergy between *vidya* and *avidya*.

**Euphonious:** The sound which is sweet to listen to, or which gives internal happiness to the listener. Beautiful verses of Sanskrit, if recited with correct pronunciation and rhythm produce a wonderful impact on one's mind and it is very sweet to listen to.




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## 8.15 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –A

(i)False

(ii)True

(iii)False

(iv)False

### Check Your Progress –B

(i) Bhagwan Shriram (ii) Dharm

### Check Your Progress –C

- (i) Mahabharat. (ii) Doomed to get destroyed.  
 (iii) The righteous conduct / duty. (iv) 700 (Seven Hundred Only)

### Check Your Progress –D

- i. Cleanliness of mind and thinking.
- ii. Not to steal and not even to have unauthorised desires.
- iii. *Ahimsa, Satya, Asteya, brahmcharya, and Aparigraha.*
- iv. The metaphor of the ‘Chariot of Victory’ refers to the essential means for real and stable success.

### Check Your Progress –E

- (i) True (ii) False (iii) False (iv) False (v) True



## 8.16 REFERENCES

1. श्रीमद्वाल्मीकीय रामायण (गीता प्रेस, गोरखपुर)
2. महाभारत (गीता प्रेस, गोरखपुर)
3. श्रीमद्भागवतपुराण (गीता प्रेस, गोरखपुर)
4. श्रीरामचरितमानस (गीता प्रेस, गोरखपुर)
5. ईषादि नौ उपनिषद् (गीता प्रेस, गोरखपुर)
6. मनुस्मृति




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## 8.17 SUGGESTED READINGS

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1. श्रीमद्भगवद्गीता (गीता प्रेस, गोरखपुर).
2. Commentaries on Shrimadbhagvad Gita by various authors (Vinoba Bhave, S. RadhaKRISHNAn, Jai Dayal Goyandka, Swami KRISHNAnand, Shri A.C. Bhaktivedant Prabhupad, Shri Adgadanand ji. etc.etc).
3. संस्कृति के चार अध्याय, श्री रामधारी सिंह 'दिनकर', लोकभारती प्रकाशन, प्रयाग
4. The Essence of Hinduism, Shri M.K.Gandhi, (Navjivan Publishing House, Ahmedabad).
5. What is Hinduism?, Shri M.KGandhi, (Navjivvan Publishing House, Ahmadabad).
6. Hinduism, Dr.S. RadhaKRISHNAn.
7. Hinduism, Swami Nikhilanand, (Shri RamKRISHNA Math, Mysore).
8. Lectures on the Ramayan, Shri. V.S. Srinivas Shashtri, (Ganesh and Company, Madras).
9. Ethics in the World Religions, ed. By Joseph Runzo and Nancy M.Martin, (Oneworld, Oxford).
10. The Autobiography of Gandhi ji, titled, 'My experiments with Truth' Shri M.K.Gandhi, (Navjivan Publishing House, Ahmedabad).




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## 8.18 TERMINAL QUESTIONS

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### A. Short Answer-type questions;

- Q1. Describe the importance of values as per the Indian scriptures.
- Q2. Write a brief note on Sanatan Dharm.
- Q3. List some of the major Indian scriptures.
- Q4. List the ten characteristics of dharm as described in Manusmriti.
- Q5. Write a brief note on the holistic understanding of dharm.

**B. Long Answer type questions;**

Q6. Critically examine the concept of dharm as described by the Indian scriptures.

Q7. Discuss the concept of righteous conduct as per Gita.

Q8. Explain the major philosophical bases as contained in Indian scriptures.

Q9. How is the metaphor of the 'chariot of victory' as given in Shri Ramcharitmanas relevant even in the present age?

Q10. Write an essay on the values and teachings from Indian Scriptures.

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## UNIT 9 VALUES AND TEACHINGS FROM INDIAN SCRIPTURES -II

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- 9.1 Introduction
- 9.2 Objectives
- 9.3 Indian Scriptures
- 9.4 Prayers and Mantras in Sanatan Dharma
- 9.5 Values in Scriptures of Sanatan Dharm
- 9.6 Values in Mahabharat (Excluding Gita)
- 9.7 Values in Gita
- 9.8 The Other Indian Scriptures
- 9.9 Summary
- 9.10 Glossary
- 9.11 Answers to Check Your Progress
- 9.12 References/Bibliography
- 9.13 Suggested Readings
- 9.14 Terminal Questions

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### 9.1 INTRODUCTION

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In this unit some references to values and teachings from Indian scriptures have been given. In this process certain prayers have been analysed. In unit-8 some values of Sanatan Dharm were also taken-up. The same has been carried further in this unit through the prayers of Sanatan Dharm, character of Bhagwan Shri Ram, characteristic virtues of Shri Hanuman Ji, values from Mahabharat, *Shrimadbhaagwad Gita*, Bhaagwat and *Shri Ram Charit Manas*.

In this process an attempt has been made to acquaint the learners with the ideal value system as contained in our scriptures, in the characters of these heroes of the great epics, and in our prayers.

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## 9.2 OBJECTIVES

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After studying this unit you will be able:

- to understand the importance of some of our prayers;
- to understand and appreciate the importance of convocation-commands;
- to be acquainted with the characteristic virtues of *Bhagwan* Shri Ram;
- to be acquainted with the characteristic virtues of Shri Hanuman Ji;
- to understand the divine and demonic virtues as contained in Mahabharat;
- to appreciate the environmental concerns as given in Mahabharat;
- to briefly get acquainted with the ethical values as contained in Gita;
- to develop interest in Gita;
- to briefly get acquainted with the values as given in *Bhaagwat*, and
- to appreciate the values as contained in *Shri Ram Charit Manas*.

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## 9.3 INDIAN SCRIPTURES

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As discussed in the last unit, Indian scriptures are the scriptures of Sanatan Dharm and only the selected scriptures were identified for this analysis. You must have properly understood the concept of dharm which refers to righteous conduct, righteous duty, or noble code of conduct. Accordingly, a lot of values are contained in one word, *i.e.*, dharm. Now, we will discuss collective and individual behaviour patterns/values/virtues, which are found in abundance in the scriptures of Sanatan Dharm.

There exist a large number of stories, situations and sequences which describe the code of ethical behaviour. In the following pages, these values will be discussed. Since the scope of this unit is limited, only a limited analysis/presentation shall be possible.

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## 9.4 PRAYERS AND MANTRAS IN SANATAN DHARMA

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In Sanatan Dharm, one finds prayers for different situations. These prayers are dedicated even to the forces of nature and to the other inanimate objects. Since morning, when a person wakes up, to the evening, prayers were recited, and during the earlier times these prayers were the part of daily routine of the people of this sub-continent.

1. *Shantipath* (Prayer for cosmic peace) ;

We may begin with the '*Shantipath*' (prayer for all-pervading peace), which includes invocations for the forces of nature to remain calm and peaceful for life on this earth. It



would be appropriate to quote this *shantipath*. It is a collective as well as individual prayer. It is as follows;

ॐ द्यौ शान्तिरन्तरिक्ष (गुं) शान्तिः, पृथ्वीशान्तिरापः शान्तिरौषधयः शान्तिः,  
 वनस्पतयः शान्तिर्विश्वेदेवाः शान्तिर्ब्रह्म शान्तिः, सर्व (गुं) शान्तिः,  
 शान्तिरेव शान्तिः, सा मा शान्तिरेधिः ।।  
 ॐ शान्तिः शान्तिः शान्तिः!

In this prayer the forces of nature in the form of sky, earth, air, water, medicinal plants, other plants *etc.* are being invoked to remain calm, productive and peaceful for life on earth. In the end, prayer for calmness has been recited thrice. This triple invocation for calmness and peace is to ensure calmness of the forces of nature for three type of disturbances, *viz.*, spiritual<sup>1</sup>, physical<sup>2</sup> and natural<sup>3</sup>.

The purpose of quoting this prayer is to establish that in Sanatan Dharm our ancestors have taught us to pray to the forces of nature for everlasting peace on earth. It establishes our urge for peace in all forms.

## 2. Other Prayers;

Apart from the prayer for invoking peace and calmness of the natural forces, there are a number of other Vedic prayers which do not refer to any religious belief, but aim at the welfare of human life, animal life and environment. These prayers are known as invocations for peace<sup>4</sup> and invocations for welfare<sup>5</sup> for the entire universe.

### 2.1. *Deekshopadesh* (Convocation comonands/ Sermons);

After completing various degree programmes of study, convocations are held in all the Universities, wherein useful convocation addresses are delivered to learners. These addresses contain ethical sermons to young learners. But, in Indian Universities, some specific pious directions in the form of sermons are recited and the learners take a vow to follow these commands in their lives thereafter. These are popularly known as '*deekshant updeshas*' or convocation-commands. In fact, this command completes the first cycle of formal education. It would be very relevant to quote these commands because they contain the essence of real learning for the real life after completing one cycle of formal education leading to a degree.

This set of values is for the rest of the life. It has been taken from *Taietrey Upanishad*. It is as follows;

“सत्यं वद । धर्मं चर । स्वाध्यायान्माप्रमदः । आचार्याय प्रियं धनमाहृत्य  
 प्रजातन्तुं मा व्यवच्छेत्सीः । सत्यान्न प्रमदितव्यम् । धर्मान्न प्रमदितव्यम् ।

<sup>1</sup> Spiritual disturbance are in the form of ignorance, attachment, malice, foolishness *etc.*

<sup>2</sup> Physical disturbances are caused by enemies, animals and other dangers to life.

<sup>3</sup> Natural disturbances relate to excess rains, earthquakes, lightening *etc.* caused by the forces of nature.

<sup>4</sup> शांति पाठ ।

<sup>5</sup> स्वस्तिवाचन ।

कुशलान्न प्रमदितव्यम् । भूत्यै न प्रमदितव्यम् । स्वाध्यायप्रवचनाभ्यां  
न प्रमदितव्यम् । देवपितृकार्याभ्यां न प्रमदितव्यम् ।<sup>6</sup>

It is actually a very long command/sermon/direction, but only a part of it has been presented here to give a glimpse of its breadth and depth. It means;

‘Speak the truth. Live a life full of dharm. Never fail in good self-studies. Give your dear money voluntarily to your *Guru* as *dakshina* and thereafter with the permission of your *Guru* enter the family life. Never deviate from truth. Never deviate from dharm. Never deviate from good deeds. Never loose the means of progress and prosperity. Never deviate from good self-studies and teaching. Never miss the actions to be taken for Gods and for your parents.’

It is a wonderful piece of a long sermon/command/direction, which is actually required for a decent life.

It between, the graduating students say, “We take an oath to act accordingly.” Unfortunately, this pious and the most useful part of this function has been reduced to the status of a poor ritual. The authorities giving this sermon usually do not have the competence to recite it in Sanskrit. On the other, sometimes even the Hindi version can not be correctly pronounced by some authorities and the learners too respond without understanding even an iota of it. This is a very-very sad state of affairs.

However, the purpose of using this particular reference in this discussion is to establish the fact that we have had a very rich heritage and tradition of values. Thus, even in this age, if we recollect our valuable traditions and try to enrich our lives, we will surely be benefited. It is only prayed that the teachers and the learners equally understand the importance of the rich, great and the most useful value-system of Sanatan Dharm.

## 2.2. Prayer for Teacher and taught (*Guru-Shishya*);

Another very famous prayer from *Kathopnishad* is equally relevant for understanding the ethical values in the scriptures of Sanatan Dharm. This prayer relates to *guru-shishya* (teacher-taught) relationship.

In this age of tensions in all the relationships, including the relationships prevailing in our University campuses and colleges, such noble thoughts are really worth a deeper understanding. The prayer is as follows:

“ॐ सह नावतु । सह नौ भुनक्तु । सह वीर्यं करवावहै ।  
तेजस्वि नावधीतमस्तु । मा विद्विषावहै !  
ॐ शान्तिः शान्तिः शान्तिः”<sup>7</sup>

[O God almighty, please protect us, the *guru* and *shishya* both! May we remain protected together! May we gain the strength together! May our learnings get enlightened! May we always cherish the feeling of love for each other!

<sup>6</sup> तैत्तिरीय उपनिषद, एकादश अनुवाक ।

<sup>7</sup> कठोपनिषद ।

O God! May the three types of sufferings are relieved!]

It is noticeable in this prayer that protection, gaining of physical strength, enlightenment of learnings, and continuance of loving relationship have been prayed for. In the present times we are faced with these problems in our campuses. If we familiarize our learners with these values and even if five percent or ten percent of our learners get influenced, the message will continue to multiply.

A very important aspect of these prayers and mantras is that we, sometimes, recite these prayers and mantras, but we do not know the correct meaning thereof, and the truth is that it is never explained, as well. In some cases, even the priests too recite these prayers and mantras incorrectly, *i.e.*, even the pronunciation is incorrect. In such a situation, one cannot expect the correct meaning to prevail. Thus, over the period of time all the mantras and prayers have been reduced to mere rituals. Therefore, it is very important that all these prayers and mantras should be understood in the proper perspective. Once we understand it properly, we do realize that these are aimed at ensuring a peaceful and noble life on this earth.



### *Check Your Progress- A*

**Indicate whether the following are ‘true’ or ‘false’.**

1. Dharm is the repository of values in Indian context.
2. Spiritual disturbances are caused by rains, earthquakes etc.
3. Convocation commands being used in the convocation functions of universities have been taken from *Kathopanishad*.
4. Prayer for *Guru* and *Shishya* does not include gaining of physical strength together.

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## **9.5 VALUES IN SCRIPTURES OF SANATAN DHARM**

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As indicated earlier, in order to understand and appreciate at least a part of this vast reservoir of values, it is proposed to limit this presentation to a few selected scriptures only, *viz.*, Ramayan (by sage Valmiki), Mahabharat (excluding Gita), Gita, Bhaagwat (all by the sage Ved Vyas), and ShriRamcharit Maanas by Goswami Tulasidas ji.

1. Characteristic Virtues of Bhagwan Shri Ram;

In Ramayan, in the beginning itself a lot of virtues of Shri Ram's character have been enumerated<sup>8</sup>. In this first chapter itself, the divine sage *Naarad* explains the virtues of Shri Ram. In this description itself, numerous virtues have been listed. Later, in the text, Bhagwan Ram's character, as reflected through his deeds, is a testimony to his greatness, and of course, to many other virtues of his character or personality.

These characteristics make him an extra-ordinary person. Here, only a few selected virtues of his character shall be presented. This list is not based on any particular order or sequence, say

- 1.1. Beholding dharm throughout his life and in all situations.
- 1.2. Truthfulness.
- 1.3. Lot of patience.
- 1.4. Humility.
- 1.5. Respect for *gurus*, saints and elders.
- 1.6. Forgiveness.
- 1.7. Sacrificing nature.
- 1.8. Offering *daan* (Charity).
- 1.9. Penance.
- 1.10. Control over sense-desires.
- 1.11. Control over *manas* (sense-mind).
- 1.12. Intelligence.
- 1.13. *Gyan* (Wisdom).
- 1.14. Cleanliness (mental and physical both).
- 1.15. Friendship.
- 1.16. Kindness.
- 1.17. Not being greedy.
- 1.18. Giving shelter to all.
- 1.19. Caring for people .
- 1.20. Seriousness in nature.
- 1.21. Effective communication, *etc*,

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<sup>8</sup> श्रीमद्वाल्मीकीयरामायण, महर्षि वाल्मीकि, बालकाण्ड, प्रथम सर्ग ।

This list is not complete, if one goes by the text of Ramayan, but as said earlier this is a list of some of the virtues of the character of Shri Ram. His rule is always referred to as the best period of any king, mentioned in our scriptures. Even today, his rule (*Ram Raj*) is the cherished dream for a leader or administrator.

In a nutshell, it can be inferred that if our own generation can emulate a few of the above, the ethical conduct shall automatically prevail.

## 2. Characteristic Virtues of Shri Hanuman Ji;

There are many characters in Ramayan and each one excels, making Ramayan a great epic for understanding human values, social and family relations. Of course, there is a lot of other detail as well, but in this discussion the focus is on the values and relationships.

Out of all the other characters, character of Shri Hanuman ji is unique and full of virtues. Once he enters in the story (though he enters very late), he dominates all the events and very soon he occupies the most critical role.

If we discuss his virtues only, these are also remarkable. He meets Shri Ram and Lakshman in chapter-3 (*Kishikindhakand*) of Ramayan. After noticing his (Hanuman ji's) excellent communication skills full of intelligence and the best use of grammar, speech and manners, Bhagwan Shri Ram tells Lakshman about Shri Hanuman ji. In this process, Sage Valmiki uses nine verses and in these nine verses<sup>9</sup>, Shri Ram tells Lakshman about Hanuman ji that;

- a. One who has not received proper education in *Rigved*, *Yajurved*, and *Samved*, cannot speak such chaste language;
- b. It appears that he has studied grammar very-very well ;
- c. His body language, during this conversation with us, has not reflected any weaknesses or confusions of any sort ;
- d. He speaks with brevity, maintaining completeness of his sentences and meanings thereof, not stopping in between, and without using harsh or hurting expressions;
- e. He speaks the language full of cultural grooming, and it is systematic, mature, unique, unbroken, or undelayed, and it gives a lot of happiness to the listeners, and
- f. Who would not he thrilled and overjoyed after listening to him, and even a person ready to kill some other person, will stop to carry out his cruel act of killing, after listening to him *etc. etc.*

Even later, a lot of other characteristics of Shri Hanuman ji have been given in the Ramayan<sup>10</sup>, but the detailed analysis of these verses is avoided to ensure brevity of this presentation.

<sup>9</sup> Verse Numbers 28 to 35 of Sarg-3, Kishikindhakand, Sri Valmiki's Ramayan.

<sup>10</sup> Verse Numbers 44 to 48 of Sarg-36, *Uttarkand*, Sri Valmiki's Ramayan.

If one tries to identify some of the major characteristics of Sri Hanuman ji, across the wide range of scriptures, it will be a very difficult task. However, the following representative virtues (only a few) are being given below;

- a. Indomitable strength and courage.
- b. Intellect of a very superior type.
- c. A personality rich in *Gyan* and *Vidya*.
- d. Rationality.
- e. Analytical thinking.
- f. Excellent communication.
- g. Humility.
- h. Decision making capacity of a very high order.
- i. Heightened sense of very carefully dedicated service (*Kinker* of Shri Ram).

Here, only a few of his representative characteristic virtues have been given, and if one reads the scriptures of Sanatan Dharma, an even better list could be prepared.

However, the ninth virtue as listed above, *i.e.*, very carefully dedicated service, is the greatest virtue of his character. In Mahabharat, it has been said that only three types of persons obtain the golden flowers (the greatest fruits) from this earth. These are the people who have the valour and strength, have wisdom of the highest order, and have the heightened sense of dedicated service<sup>11</sup>. There exists a great, and of course, the exceptional combination of all the three above-mentioned virtues in Shri Hanuman ji. He is a great warrior having exemplary valour, indomitable strength and courage. He is said to be the lord of *vidya*, *gyan* and the finest intellect. Finally, he is perhaps the only character in the scriptures of Sanatan Dharm, who has the heightened sense of dedicated service to his lord Shri Ram.

If one learns even a few of these virtues, the society will be blessed with the best human beings, and the best of the citizens.

Similarly, the other characters of Ramayan also excel in their virtues of bravery, service, observing relationships, sacrifice *etc.*, setting unparalleled examples for the generations of human civilization anywhere in this world.

Bhagwan Shri Ram was an ideal son, ideal learner, ideal brother, ideal husband, ideal warrior, ideal organizer, an ideal leader, and of course, an ideal king, whose *reign 'Ram Raj'* is the cherished dream for all the administrators.

So, Ramayan sets the highest standards of values in every aspect of human character.

<sup>11</sup> सुवर्णपुष्पां पृथिवीं चिन्वन्ति पुरुषास्त्रयः ।

शूरश्च कृतविद्यश्च यश्च जानाति सेवितुम् ॥74॥ – महाभारत, उद्योगपर्व, प्रजागरपर्व, विदुरनीति वाक्य विषयक अध्याय सं० 35 ।



### Check Your Progress- B

#### Answer the following;

Q1. In Valmiki's Ramayan, who narrates the virtues of Shri Ram, in the beginning of the book itself?

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Q2. Being ambitious is one of the virtues of Bhagwan Shri Ram's character. True/False

Q3. Bhagwan Shri Ram's reign is popularly referred to as .....

Q4. It appears from Valmiki's Ramayan that Shri Hanuman ji was well versed in the use of language and grammar. True/False

Q5. Which is the distinguishing virtue of Shri Hanuman ji's character?

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## 9.6 VALUES IN MAHABHARAT (EXCLUDING GITA)

Mahabharat is a very rich source of values, sometimes stated through various stories, and sometimes these values are given directly in the verses. This epic is also in the nature of history, so it contains stories of people from the earlier times also. In these references also a lot of valuable material is available.

Even if Gita is excluded (because Gita deserves independent consideration), a lot of values are available in rest of the books and chapters. One will hardly find a value or a situation which is not there in Mahabharat. It has been mentioned in Mahabharat<sup>12</sup> (verse no. 53 of chapter 62 of *Aadiparv*), that whatever is there in this epic about the four objectives, *viz.*, Dharam, *Arth*, *Kaam* and *Moksh*, the same is available in the other scriptures also and that what is not there in this epic, does not exist anywhere. It contains, as claimed, one lakh verses spread across six volumes of over one thousand pages each. Valuable material is very well sprayed throughout the storylines and details of action and one gets surprised to find that the best of all the discourses is taking place in the middle of the battle-field, and even the

<sup>12</sup> धर्मं चार्थं च कामे च मोक्षे भरतर्षभ ।

यदिहास्ति तदन्यत्र यन्नेहास्ति न तत् क्वचित् ॥ 53 ॥ – महाभारत, आदिपर्व, अंशावतरण पर्व, अध्याय– 62, श्लोक संख्या 53



battlefield is referred to as *dharmkshetra* (the field of dharm). Naturally, therefore, the epic is full of righteous values everywhere.

It is very difficult to quote ethical values from different stories, actions or discourses by referring to specific instances, particularly in view of the repeated use of similar values at many places. Thus, it would be better to objectively list the values referred to in Mahabharat in different discourses, stories or actions except the values specifically mentioned in Gita, because it is proposed to discuss Gita separately. Accordingly, the following righteous values may be outlined;

- |  |  |
|--|--|
| 1. Truthfulness                              | 17. Non-possiveness  |
| 2. <i>Ahimsa</i> /Non-violence               | 18. Self-studies/Self- awareness   |
| 3. Sacrifice                                 | 19. Observance of <i>Yamas</i> (self-restraints / these are 05)              |
| 4. Forgiveness                               | 20. Observance of <i>sham</i> [sham are fixed rules (These are 05)].         |
| 5. Courage                                   | 21. Kindness   |
| 6. Patience                                  | 22. Care and affection for those seeking shelter/ People requesting shelter. |
| 7. Benevolence/ Beneficence                  | 23. Sensual/ sexual abstinence   |
| 8. <i>Daan</i> / Charity                     | 24. Care and respect for parents, <i>gurus</i> , elders and guests.          |
| 9. Simplicity                                | 25. Valour   |
| 10. Cleanliness (internal and external both) | 26. To follow the characteristic traits of great people.                     |
| 11. Contentment                              | 27. Observing dharm even in the most difficult situations <i>etc.</i>        |
| 12. Noble conduct                            |  |
| 13. Equality/equity                          |  |
| 14. Forebearance                             |  |
| 15. Austerity/penance/ <i>tapas</i>          |  |
| 16. Honesty/Not to steal                     |  |

In addition to the above and many other values, non-righteous or negative qualities have also been observed. Some of these are;

1. Undue desires
2. Anger
3. Greed
4. Ignorance
5. Jealousy
6. Pride
7. Insistence on undue/unreasonable stand.
8. Speaking ill of others
9. Undue attachment *etc.*

Thus, in Mahabharat, one finds a huge treasure of values. These values are relevant even today and surely these values shall remain relevant for human-beings even in the times to come.

In addition to these human values, a lot of environmental values have also been stated in Mahabharat, say

1. Planting of trees, and value attached to planting of one tree, making a pond, a water-reservoir *etc.* (*Anushashan Parv/Daan Dharm Parv/Chapter-58*).
2. Importance of rivers and respect for rivers. (*Anushashan Parv/Daan Dharm parv/Chapters 25 and 26*).
3. Respect for animals (even a snake has the most useful discussion with Yudhishtir) (*VanParv/Aajgar Parv/Chapter-120*).
4. Importance of forests and tigers<sup>13</sup> in the sense that both are considered to be mutually dependent on each other.
5. Other aspects like performance of *yagyas* and not-polluting the water *etc.* are also given a lot of importance in this epic.

The above mentioned references and the values, as well as the non-righteous attributes are found in abundance in Mahabharat. Since a large number of stories, incidents and actions are narrated in the large body of the text, these references are also repeated at many places and in different contexts. Interestingly some of the verses are quotable quotes like conduct of students<sup>14</sup>, importance of dharm<sup>15</sup> and importance of parents<sup>16</sup> *etc.*

<sup>13</sup> न स्याद वनमृते व्याघ्रान् न स्युर्ऋते वनम् ।

वनं हि रक्ष्यते व्याघ्रैर्व्याघ्रान् रक्षति काननम् ॥46॥

(उद्योग पर्व / प्रजागरपर्व / अध्याय- 37)

<sup>14</sup> सुखार्थिनः कुतो विद्या नास्ति विद्यार्थिनः सुखम् ।

सुखार्थी वा त्यजेद विद्यां विद्यार्थी वा त्यजेत् सुखम् ॥06॥

(उद्योग पर्व / प्रजागरपर्व / अध्याय- 40)

<sup>15</sup> धर्म एव हतो हन्ति धर्मो रक्षति रक्षितः ।

तस्माद् धर्मं न त्यजामि मा नो धर्मो हतोऽवधीत् ॥128॥

(वन पर्व / आरण्य पर्व / अध्याय - 113)

<sup>16</sup> माता गुरुतरा भूमेः खात् पितोच्चतस्तथा ।

Interestingly, the discourse between Yudhishtir and Bheeshm is so long and varied that it goes beyond one book and it contains a lot of useful and of course beautiful verses, but the scope of this narrative does not permit to quote all these useful quotes. Accordingly, description about values in Mahabharat is closed here.



### Check Your Progress- C

Indicate whether the following are ‘true’ or ‘false’;

1. Mahabharat is said to contain one lakh verses.
2. Non-violence is a virtue in Mahabharat.
3. As per Mahabharat anger is a divine virtue.
4. Mahabharat refers to the protection of tigers.

## 9.7 VALUES IN GITA

Gita is contained in *Bheeshm Parv* of Mahabharat (Chapter 25 to 42 of *Bheeshm Parv*). It contains 700 verses classified in 18 chapters. Gita is a highly acclaimed book, translated into many languages of the world. It is revered by all because of its message, which is always fresh, useful and universal. It contains the philosophy of life-management, and this is how it has become so useful for the whole world.

### 9.7.1 SUBJECT MATTER OF GITA

The main theme of Gita is ‘*Karm*’ or duty and everything else is well-placed in different chapters to explain the concept of duty of an individual from different angles.

Main lead to the narrative begins with the confusion (मोह) of Arjun, and he finally declares that he will not be able to fight the people of his own family. This verse onwards (Verse No. 11 of Chapter-2), the message begins.

The hero of the battle, Arjun gets confused about his righteous conduct in the given situation. Here, let us substitute the images, say the battlefield of *kurukshetra* by actually the battlefield of life, wherein each one is fighting his/her own battle. In fact the first verse of Gita gives us

the clear clues to this effect. Swami Yoganand Ji<sup>17</sup> in his analysis of Gita explains it very logically. According to his analysis this 'Dharmkshetra'- 'Kurukshetra' is nothing but our own body, and in this human body all the characters of Mahabharata exist, say

- (i) *Dhratashtra* symbolizes our *manas* (the sense-mind) which is blind, because it does not have the reason to see things in the right perspective. Thus '*manas*' is blind, so is *Dhratashtra* in the story;
- (ii) This '*manas*' has many children (100 in the story). These are the representatives of innumerable desires, which appear in '*manas*' automatically. These are anger, greed, jealousy etc;
- (iii) In this human body, there are 05 organs of knowledge (*gyanendriyas*) and 05 organs of action (*karmendriyas*). The five Pandava brothers are the children of soul's intelligence.
- (iv) Sanjay is the person who sees this battle with divine insight, temporarily given to him by sage Vyasa. Shri Yoganand ji says that the word Sanjay literally means, 'completely victorious' or 'the one who has conquered himself'. He is, therefore, impartial enough to see the things in the correct perspective, or he represents the power of impartial self-analysis.

Now, viewed from this angle, it becomes clear that all that is continuously happening to each human being can easily be understood with the help of this marvellous book. On the path of duty, we have innumerable confusions and because of these confusions we fail to see the things in the right perspective. It is during these confusions that Gita shows us the right path. The fear of facing our own people, the fear of failure, or the fear attached to the results of our actions, put us in the same mental trauma, which Arjun faces in the battlefield. Thus, it contains the psychology of human mind and shows the righteous path to come out of it as victorious or successful.

At this stage itself, it must be admitted that the author of this unit is not capable of furnishing the best or the authoritative analysis of Gita, rather the humble attempt is to analyse in simple language with the help of suitable examples for the benefit of learners of the University programmes of formal studies. This analysis of Gita in this unit is, thus, limited and if it is able to arouse the deeper desire amongst the learners to learn this wonderful text properly, the real purpose will also get served.

Accordingly, the following aspects shall be explained with the help of some of the verses of Gita;

- (i) Removal of confusions/depression.
- (ii) Deterministic Intellect.
- (iii) Appropriate theory of '*Karm*' or righteous duty.
- (iv) Agents of Destruction.

<sup>17</sup> The Bhagvad Gita, Shri Shri Paramhansa Yogananda Ji, published by Yogda Satsang Society of India, Kolkata, 2002.

- (v) Concept of Optimum.
- (vi) Concept of Equality.
- (vii) Leadership.
- (viii) Process/Philosophy/Science of Work.
- (ix) Ultimate purpose of any activity or business activity.

Since the area and the scope of Gita is very vast, in this unit we shall be confined to the above mentioned aspects only.



### ***Check Your Progress- D***

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**Answer the following in one word or in a few words;**

1. What is the main theme of Gita?

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2. Gita's actual narrative begins with the ..... of Arjun.

3. *Karmendriyas* are ..... in number.

4. Who is the narrator of Gita?

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### **9.7.2 REMOVAL OF CONFUSIONS/ DEPRESSION**

Gita actually unfolds to clear the confusions, which lead to depression and inaction. Fighting for the right cause was the righteous duty of Arjun who is confused and admits it clearly in verse no. 07 of chapter-2, wherein he says that he is confused about the right course of action and requests Bhagwan Shri Krishna to show him the right path.

This confusion of Arjun has been very aptly explained by Vinoba ji in his lectures (to the inmates of jail, where Vinoba ji was also imprisoned). In 1932, Vinoba Ji was kept in Dhulia (Maharashtra) jail, where he delivered lectures on Gita for the jail inmates, on Sundays, published later in the form of a book. Vinoba ji says that Arjun was a great warrior, who had fought many battles and won even the greatest of enemies. He had caused a lot of violence in this process and he was very well aware of the opponents and the consequences of this war of Kurukshetra.

Vinoba ji says that the condition of Arjun is similar to that of a Judge, who had, in his long career, given capital punishment to many convicts, and he remained always firm and fearless, but one fine day his own son was proved guilty and under the circumstances, this Judge's son deserved capital punishment. Now the same Judge started preaching and pleading against capital punishment saying that capital punishment is not good, and that it amounts to the judgment of 'an eye for an eye' and so forth. Arjun is also behaving like this Judge and preaches that war is no solution, it is useless, it causes incalculable damage *etc.*, and declares that he will not fight.

Now, what is the moral of this story? It refers to the confusion which gets created because of attachment with the people in question. It creates hindrances in the discharge of righteous duty as well, because of attachment only. Therefore, Bhagwan Shri Krishna explains this issue of non-attachment with regard to the results of an action, and propounds the standard principle of performance of the righteous duty in verse no. 47 of Chapter-2<sup>18</sup>. It is one of the most famous verses of Gita wherein it is established that one has the right to perform a duty, but one never has a right in the fruits of its action. These fruits or results may come in many ways, and at their own pace, so one should never be bothered about the results, *e.g.*, if some person appears at an interview, and if he/she is attached to the result of the interview, he/she will be under the two sets of pressures, say the first pressure is that of his/her own performance at the interview, and the second pressure is that of the worry regarding his/her selection. Thus, under the pressure of two sets of worries, the performance is bound to get affected adversely and one will not be able to perform to the best of one's capability. Now, on the other, if one carries only one set of pressure, *i.e.*, the performance, the best performance is the most likely end-product. The opposite is likely to be true, if one is simultaneously under the two sets of pressures.

Another example will make it even more clear, where a mother asks her child to go out and play. In this case the child simply plays unbothered about its results and the results are automatically there, say good health, and expertise in a particular game.

So, the better course of action is to perform the righteous duty without bothering about the results, because one has no right to get the desired results only.

Now, what is the root cause of confusion, leading even to depression? It is nothing but attachment to the results, whereas it is unwarranted and illogical, because one does not have

<sup>18</sup> कर्मण्येवाधिकारस्ते मा फलेषु कदाचन ।  
म कर्मफलहेतुर्भूर्मा ते संगोऽस्त्वकर्मणि ॥ 2(47) ॥

any control over the results. As a result, we arrive at a principle that confusion is always caused by attachment, so non-attachment has to be the guiding principle of work.

It is further explained in the next verse<sup>19</sup> (verse no. 2(48)), which completes the preceding verse. It is directed, in another verse, to carry out the work in the best possible manner<sup>20</sup> without any attachment.

Further, the attitude should be that of equanimity in either the success, or the failure.

Now the settled principle, as per Gita, is to carry out the work without any attachment to the results of the said action. It will help the person to remain free from the confusions or depressions.

### 9.7.3 DETERMINISTIC INTELLECT

Gita clearly makes a distinction between the deterministic intellect and the indeterministic intellect. Verse Nos. 41 and 44 of Chapter 2<sup>21</sup> give a very clear description of it.

Verse-41 tells that deterministic intellect is one, *i.e.*, before one takes a decision, one may carry out a lot of investigation, analysis, and consultation, but once a conclusion has been reached it creates the deterministic intellect without any branches or classifications. On the other, the indeterministic intellect has many branches, classifications, and confusions even after all the investigation, analysis, and consultation. In order to be successful, one needs deterministic intellect. There is a story in Mahabharat that during their learning period, one fine day *Guru* Dronacharya decided to check the aim of the arrows to be shot by the prince-learners. The condition was to shoot right into the eye of the dummy of a bird tied on one of the tiny branches of the tree. Now the *Guru* individually called each one and asked them as to what did they see and each one described the tree, the leaves, and the bird. Hearing such answers, all were disqualified to shoot the arrow. Finally, Arjun was called and the *Guru* repeated the same question to him also, but Arjun replied that I see only the eye of the dummy bird. He was allowed to shoot the arrow and the shot was perfectly correct. Now, here also the moral of the story is the same, *i.e.*, the deterministic vision does not see anything else, but its aim.

On the other, the indeterministic intellect is swept away by the pleasures of sorts and such a confused person never attains the success / happiness / contentment.

A little later in verse no. 58<sup>22</sup> of the second Chapter, a beautiful example of a tortoise has been given. It has been said that as a tortoise collects all its legs inside the hard outer cover of

<sup>19</sup> योगस्थः कुरु कर्माणि संगं त्यक्त्वा धनञ्जय ।

सिद्धि असिद्धियोः समोभूत्वा समत्वं योग उच्यते ॥ 2(48) ॥

<sup>20</sup> योगः कर्मसु कौशलम् ॥ 2(50) ॥

<sup>21</sup> (अ) व्यवसायात्मिका बुद्धिरेकेह कुरुनन्दन ।

बहुशाखा ह्यनन्ताश्च बुद्धयोऽव्यवसायिनाम् ॥ 2(41) ॥

(ब) भोगैश्वर्यप्रसक्तानां तयापहृतचेतसाम् ।

व्यवसायात्मिका बुद्धि समाधौ न विधीयते ॥ 2(44) ॥

<sup>22</sup> यथा संहरते चायं कूर्मो अंगानि इव सर्वशः ।



its body, so is the man possessing deterministic intellect. What a beautiful and befitting example of determination! One needs to detach one's mind from everything else and move ahead to accomplish the decided action. This is the deterministic intellect, *i.e.*,

- (i) It is one, without any branches or confusions;
- (ii) It is uni-directional;
- (iii) All the energies are combined towards the decided goal;
- (iv) Mind is clearly focused on the one and the only course of action, and
- (v) There is no scope of thoughts about the results thereof.

#### 9.7.4 APPROPRIATE THEORY OF KARMA

As indicated earlier, Gita is rooted in the philosophy of *Karma* or duty or righteous duty, to be precise. Each and every postulation, therefore, is deeply rooted in the philosophy of karma.

However, only a few examples are quoted in the following analysis, say

- a) The very reference to dharm is the direct reference to righteous conduct, duty, and action in accordance with it ;
- b) The concept of '*swadharm*' or one's own righteous conduct is unique in Gita ;
- c) One has every opportunity to decide one's own righteous conduct, but once decided, it is obligatory to act in accordance with it ;
- d) One has the right to action only and therefore one must put-in the best of one's efforts and skills in performance of duty only ;
- e) One has no right over the results of the action, so one must never worry about the results ;
- f) Whether one succeeds or fails in this process, one must accept the either outcome gracefully ;
- g) To carry-out the work with utmost dexterity has been referred to as Yog in Gita [2(50)] ;
- h) The process of performance must be based on the principle of perfect non-attachment;
- i) The success or otherwise should be treated with equanimity, and
- j) Happiness or sorrow, gains or losses, victory or defeat (success or failure) must be treated with equanimity even before beginning to carry-out the discharge of the righteous-conduct<sup>23</sup>.

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इन्द्रियाणीन्द्रियार्थभ्यस्तस्य प्रज्ञा प्रतिष्ठिता ॥ 2(58) ॥  
<sup>23</sup> (क) सुखदुःखे समे कृत्वा लाभालाभौ जयाजयौ ।  
 ततो युद्धाय युज्यस्व नैवं पापमवाप्सि ॥ 2(38) ॥  
 (ख) योगस्थः कुरु कर्माणि संगं त्यक्त्वा धनञ्जय ।

The above are just a few indicators/aspects of the appropriate theory of karm or righteous conduct. Bhagwan Shri Krishna gives the extreme example of even death in performance of the righteous conduct<sup>24</sup>. He says, 'if you die in performing your righteous duty, you will go to the heaven but if you win, you will enjoy the worldly pleasures'. If we change the words and put it this way that even if one terribly fails in achieving the well-deserved goals, one will be remembered for the effort. People call such failures as the wonderful or the most beautiful failures. Contrarily, if one succeeds, one is bound to enjoy the fruits of one's labour.



### Check Your Progress- E

#### Answer the following;

1. Confusion in the discharge of righteous conduct gets created because of .....
2. How many branches of deterministic intellect exist?
3. One's own righteous conduct has been referred to us ..... in Gita.
4. Considering the success or failure as equal is called ..... in Gita.

### 9.7.5 AGENTS OF DESTRUCTION

There exist some human tendencies which eventually lead to destruction, because of consistent chain reaction of certain desires, and Gita puts all these in a logical sequence<sup>25</sup>, say if one constantly thinks about certain subjects, one gets unduly attached with these subjects leading to a strong desire for these subjects. This strong desire is nothing but strong attachment. Now if the cherished desire is not fulfilled, it leads to anger which, in turn, leads

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सिद्धि असिद्धियोः समो भूत्वा समत्वं योग उच्यते ॥ 2(48) ॥

(ग) बुद्धियुक्तो जहातीह उभे सुकृतदुष्कृते ।

तस्माद्योगाय युज्यस्व योगः कर्मसु कौशलम् ॥ 2 (50) ॥

24 हतो वा प्राप्यसि स्वर्गं  
जित्वा वा भोक्ष्यसे महीम् ।

तस्मादुत्तिष्ठ कौन्तेय

युद्धाय कृतनिश्चयः ॥ 2(37) ॥

25 (क) ध्यायतो विषयान्पुंसः सङ्गस्तेषूपजायते ।

संगात्संजायते कामः कामात्क्रोधोऽभिजायते ॥ 2(62) ॥

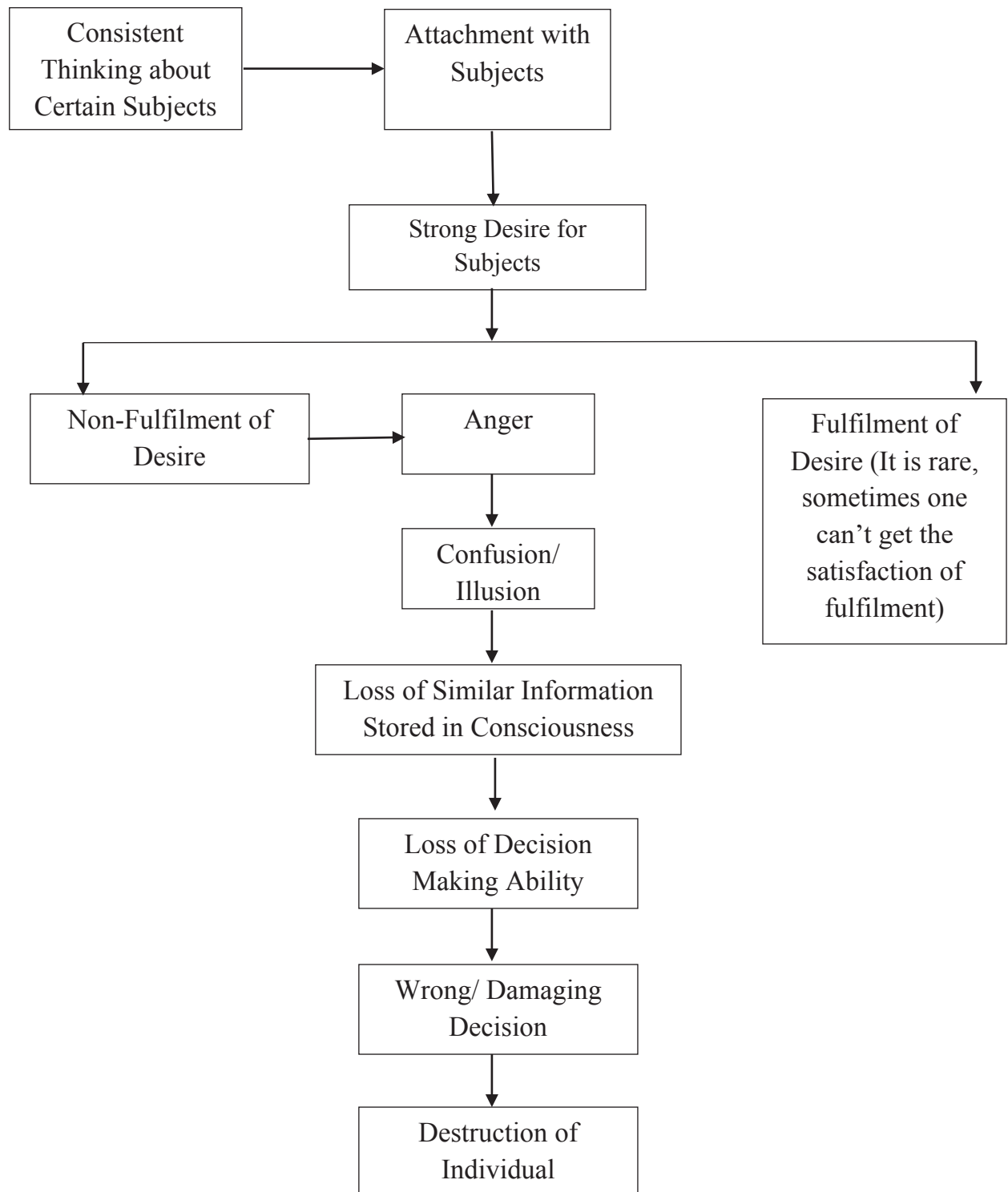
(ख) क्रोधाद्भवति सम्मोहः सम्मोहात्स्मृतिविभ्रमः

स्मृतिभ्रंशाद्बुद्धिनाशो बुद्धिनाशात्प्रणश्यति ॥ 2(67) ॥

to utter confusion. This confusion caused by anger leads to loss of good matching memories, already existing in the consciousness of human beings. The chain reaction continues unabated and now the discerning intelligence fails to get any support from the storehouse of consciousness, which is the repository of a lot of good instances that support decision-making. Once it fails because of resultant confusion, the decision-making ability goes wrong. Now even a small wrong decision may lead to destruction of such a person.

This is a very logical sequence, and for easier understanding a graphic depiction is given ahead.

Therefore, one needs to very clearly identify these agents of destruction. It is nothing but undue attachment with various subjects, like ‘my son, my family, my job, my growth, my wealth, my popularity and my reputation *etc.*’ All these are the subjects which are the easy targets of attachment. So, one must get rid of it and remain neutral. One must go on discharging one’s duties without undue attachment and thus, this vicious cycle of destruction can be avoided.



**Fig 9.1 Diagram Depicting Flow of Events**

### 9.7.6 CONCEPT OF OPTIMUM

Optimum balance amongst the opposing forces is the most important aspect of human life, because whenever this balance is disturbed, problems arise. Gita provides a very clear message about maintenance of this balance. In fact, many verses contain the subtle reference to this act of balancing and controlling, but verse no. 17 of chapter-6<sup>26</sup> gives a beautiful message. In this verse it has been said that one must remain optimum in food, movement and lifestyle, thought-process, actions, sleep and while remaining awake or truly aware of one's existence. The message is that of moderation in all the states and activities, and the moment this equilibrium is disturbed, problems arise.

It must be understood very properly that all the external problems of human beings are the manifestations of disturbances at the inner level, say if one is happy or sad from within, it is bound to reflect in one's conduct.

These days most of the working people complain of imbalance between their work-life and personal-life. If they follow this advice regarding moderation in all the aspects of life, they will be able to strike the desired equilibrium.

The beauty of this verse lies in its extension even to the thought-process or to the state of dream-consciousness. Thus, it is all inclusive and the clear hint is to apply this principle to all the aspects of life.

However, one may ask a question that all this is very nice to hear but how to practice it in one's life? Yes, it is a relevant question, but Gita has already answered this question in verse numbers 34 and 35 of this chapter – VI itself<sup>27</sup>, wherein, through a question and its appropriate answer, the process of achieving equanimity in one's attitude can be managed. In verse no. 6(34), Arjun asks Bhagwan Krishna regarding control over his sense-mind. He says, this sense-mind is very capricious, it has a volatile nature, and it is too strong to be controlled. He further says that to control the sense-mind is as difficult as catching the air in one's fist. In reply, Bhagwan Shri Krishna says, 'Very true, it is so, but with practice and detachment one may gain control over it.

Thus, it is clear that this balanced approach leading to equilibrium and equanimity in one's life is possible with continuous practice.

### 9.7.7 CONCEPT OF EQUALITY

Equality is an established concept in Gita. It refers to the equality of all the people irrespective of their status, profession or origin. In fact, Bhagwan Shri Krishna proclaims that all the living creatures are my creations and I reside in each soul<sup>28</sup>. The soul, which is the

<sup>26</sup> युक्ताहार विहारस्य युक्तचेष्टस्य कर्मसु । युक्तास्वप्नावबोधस्य योगो भवति दुःखहा ॥ 6(17) ॥

<sup>27</sup> (क) चंचलं हि मनः कृष्ण प्रमाथि बलवद्दहदम् । तस्याहं निग्रहं मन्ये वायोरिव सुदुष्करम् ॥ 6(34) ॥

(ख) असंषयं महाबाहो मनो दुर्निग्रहं चलम् । अभ्यासेन तु कौन्तेय वैराग्येण च गृह्यते ॥ 6(35) ॥

<sup>28</sup> ममैवांशो जीवलोके जीवभूतः सनातनः ।

owner of this body is actually the manifestation of God in the body. If this theory is believed, all the human beings are one and the same. In verse no. 6(32)<sup>29</sup> also similar thought has been echoed, wherein it has been said that the one who considers each-one to be equal to one's own self, is the ideal yogi.

One may go on scanning the verses of Gita and one will find many such verses which establish this belief in equality and it extends even to animals.

In verse no. 18 of Chapter-5<sup>30</sup>, it has been said that wise people consider all to be equal and they do not discriminate between a brahman accomplished in true learnings, and humility; a cow; an elephant; a dog; or an outcast-wretched person. Again in verse number 6(29)<sup>31</sup> it has been said that the one who is well-versed in yog or the one who is a true yogi beholds his own self in all the creatures and all the creatures in the Spirit. In other words, a true yogi sees the same divine Spirit everywhere and in each-one, and the most important part of the message is contained in the last two words, *i.e.*, "सर्वत्र समदर्शनः" – or seeing with equanimity everywhere and in every one. In other words, such a person perceives the same divine light everywhere and in each-one. Accordingly, the concept of equality finds a beautiful expression in this verse.

This concept of equality is so deeply enshrined in Gita that a yogi or a person who has conquered his senses and who has truly learnt the lessons of wisdom, sees a lump of earth, a stone, or gold as the same substances<sup>32</sup>. In his state of bliss of wisdom, he treats all these to be equal and he is not attached to anything or anyone. There are many such instances in Gita, referred to earlier, in verse number 15(7) it has been said that God resides in each soul, and the same thought finds expression in verse no 18(61)<sup>33</sup>, wherein it has been re-confirmed that God resides in each heart (soul).

Thus, the foregoing analysis establishes that the concept of equality is very well established in Gita. Further, the message of equality in Gita is very broad-based and it extends even to all the creatures and substances of this universe.

## 9.7.8 LEADERSHIP

The ideal concept of leadership also finds expression in Gita. In verse no. 3(21)<sup>34</sup> of Gita the responsibility of nobles and leaders has been explained. It has been said that the conduct of

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मनःषष्ठानीन्द्रियाणि प्रकृतिस्थानि कर्षति ॥ 15(7) ॥  
 29 आत्मौपम्येन सर्वत्र समं पश्यति योऽर्जुन ।  
 सुखं वा यदि वा दुःखं स योगी परमो मतः ॥ 6(32) ॥  
 30 विद्याविनयसम्पन्ने ब्राह्मणे गवि हस्तिनि ।  
 शुनि चैव श्वपाके च पण्डिताः समदर्शिनः ॥ 5(18) ॥  
 31 सर्वभूतस्थमात्मानं सर्वभूतानि चात्मनि ।  
 ईक्षते योगयुक्तात्मा सर्वत्र समदर्शनः ॥ 6(29) ॥  
 32 ज्ञानविज्ञानतृप्तात्मा कूटस्थो विजितेन्द्रियः ।  
 युक्त इत्युच्यते योगी समलोष्टाश्मकौचनः ॥ 6(8) ॥  
 33 ईश्वरः सर्वभूतानां हृद्देशेऽर्जुन तिष्ठति ।  
 भ्रामयन्सर्वभूतानि यन्त्रारूढानि मायया ॥ 18(61) ॥  
 34 यद्यदाचरति श्रेष्ठस्तत्तदेवेतरो जनः ।  
 स यत्प्रमाणं कुरुते लोकस्तदनुवर्तते ॥ 3(21) ॥

superiors makes others to follow it, because people are always advised to follow the conduct of noble and great persons. It has been said in Mahabharat (quoted in Unit-8) that the conduct of great people determines the righteous path for the other people<sup>35</sup>. Further, a littler later in verse no. [3(22) and (23)]<sup>36</sup>, Bhagwan ShriKrishna Says, ‘still I believe in discharging my duties very carefully, because if I will become inactive, other people will also start following me and they will also stop working. Eventually, it will create a lot of confusions amongst the people’.

In this analysis, it becomes obvious that leaders need to be very careful in their conduct because others tend to follow them. Thus, the concept of leadership in Gita places a lot of responsibility on the leaders to be careful about their own conduct.

If each one follows this advice and starts acting in a sensible and careful manner, a lot of other problems will automatically get resolved. Real importance of this message lies in that quality of leaders which is usually ignored by the other texts, *i.e.*, the conduct of leaders becomes a guideline and it is emulated by others.

### 9.7.9 PROCESS/ PHILOSOPHY/ SCIENCE OF WORK

In Gita, entire philosophy, process, and science of work has been beautifully explained. Verse no. 14 of chapter 18<sup>37</sup> provides the detailed process. It says that in the performance of work there exist three components, *viz.*, the organization (अधिष्ठान), the doer (कर्ता), and the instruments (करण) which are essential to carry out the work. Further, it says that all these instruments too have their separate manifold instrumentality and the fifth element is the innate capacity or the destiny or the domain.

The above must be explained to ensure a proper understanding of these technical terms. Shri Yoganand Ji provides interesting analysis<sup>38</sup>, and it is being referred to in this analysis;

- i. अधिष्ठान It refers to the human body or to the organization, which is the basis of work. The organization or the human body provides the basic support-system for performance of work.
- ii. कर्ता It refers to the doer or ‘i-ness’ of an individual. This ‘i-ness’ actually determines the execution of a particular act.
- iii. करण It refers to the instruments for the actions of this ‘i-ness’. In human body there exist twelve (12) instruments of action.

<sup>35</sup> ———महाजनो येन गतः स पन्थाः ॥ वन पर्व/अध्याय 313/श्लोक सं० : 117 ॥

<sup>36</sup> क) न मे पार्थास्ति कर्तव्यं त्रिषुलोकेषु किञ्चन।  
नानवाप्तमवाप्तव्यं वर्त एव च कर्मणि ॥ 3(22)

ख) यदि ह्यहं न वर्तेयं जातु कर्मण्यतन्द्रितः ।  
मम वर्तानुवर्तन्ते मनुष्याः पार्थ सर्वशः ॥12(23) ॥

<sup>37</sup> अधिष्ठान तथा कर्ता करणं च पृथग्विधम् ।  
विविधाश्च पृथक् चेष्टा दैवं चैवात्र पंचमम् ॥18(14) ॥

<sup>38</sup> The Bhagvad Gita, by Shri Shri Parmhansa Yoganand Ji, Part-II, pp. 1028-29, Yoga Satsang Society, Kolkata, 2002.



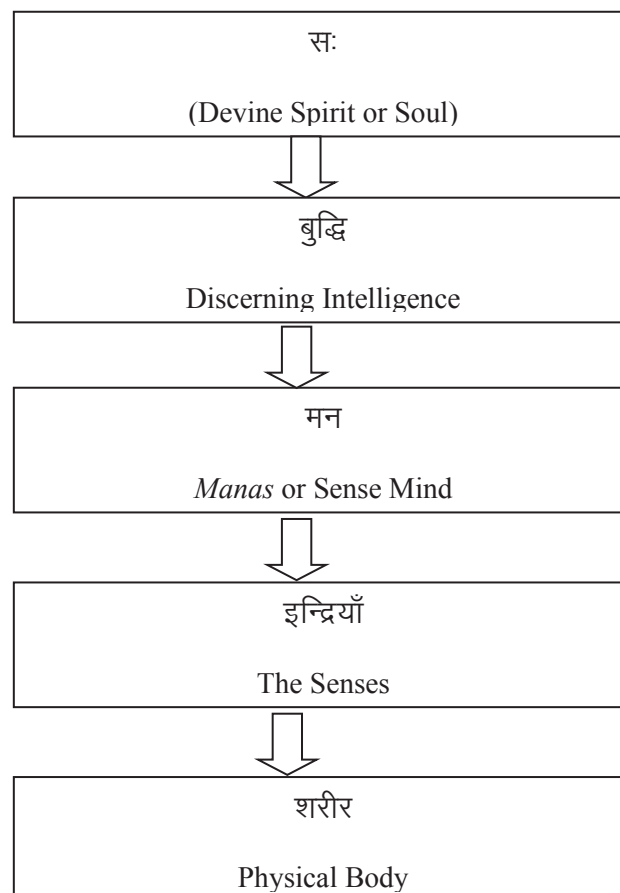
These instruments of action are:

- 05 organs of activities, *i.e.*, hands (02), feet (02), rectal, and genital organs constitute the five instruments of action. These are referred to as *Karmendriyas*.
- 05 organs of the human body, *i.e.*, the powers of sight, hearing, smell, taste and touch, constitute the five instruments of knowledge. In our scriptures these are referred to as *Gyanendriyas*.
- Another organ which co-ordinates the above (05+05=10) *Karmendriyas* and *Gyanendriyas* is the *Manas* (sense-mind), which is the 11th instrument of action. In Gita and also in the other Indian scriptures, *manas* (the sense-mind) and *buddhi* (the discerning intelligence) have been differentiated. Please refer to verse no. 3(42) of Gita. It is as follows:

इन्द्रियाणि पराण्याहुरिन्द्रियेभ्यः परं मनः ।

मनसस्तु परा बुद्धिर्यो बुद्धेः परतस्तु सः ॥3(42)॥

It means that in the human body, the superiority order of various sense-organs is as follows:



**Fig 9.2 Diagram Depicting Flow of Events**

- d. The 12<sup>th</sup> instrument of action is the discerning ability (बुद्धि) or the intellect. It guides and shapes an action.

Thus, the physical body is guided by the sense organs, and these sense organs are controlled by the *manas* or sense mind. In scientific language, this sense mind is perhaps represented by the right hemisphere of the brain which imagines, visualizes and responds on intuition, while the left hemisphere of the brain uses logic, sequencing and linear thinking. This *manas* or sense mind is controlled by *buddhi* or discerning intelligence. The ultimate control is that of the divine spirit or soul.

Thus, each work, action or function is the result of these twelve (12) instruments.

It has also been mentioned in the next line of this verse that these instruments of action have their separate manifold instrumentality. Paramhansa Shri Yoganand Ji explains this instrumentality as follows:

- (a) Crystallizing                      (b) Eliminating                      (c) Assimilating  
(d) Circulating, and                      (e) Metabolising.

The last one, which decides the overall domain in which the action can be performed. It has been referred to as *daivam*, the destiny or the innate capacity which limits the periphery of action.

After knowing this process/philosophy/science of work or action, the question arises as to how can we improve our functionality? The answer, therefore, is that one must always try to cleanse, and strengthen one's body, sharpen its doer ego-senses, its 12 active agents and perform. However, the innate capacity is bound to remain the limit or the outer periphery.

Yog and pranayama strengthen and cleanse the body, good self-studies and the company of noble and realized people sharpens our *gyanendriyas*. It will eventually result in the best of performance.

The other verses which follow this verse no. 18(14), *i.e.*, verse numbers 18(15), 18(16), 18(17), and 18(18) further explain this philosophy and science of work and for the proper understanding of this process/philosophy/science one should seriously refer to Gita.

### 9.7.10 ULTIMATE PURPOSE OF ANY ACTIVITY OR BUSINESS ACTIVITY

If one is posed with this direct question, the usual answer will surely be success, wealth and prosperity. The last verse of Gita (700th –verse) contains the answer to this question. Sanjay, the narrator of Gita (the person who has the divine insight or the one who has conquered himself) says in verse no. 18(78)<sup>39</sup>. If one goes by the words used in this verse, it means where there is *Yogeshwar* Krishna and where there is *Dhanurdhar* Arjun, the following four are sure to result, *i.e.*, 'wealth', 'victory', 'prosperity' and 'stable policies'.

If the same analysis is made using different words, it can be as follows;

<sup>39</sup> यत्र योगेश्वरः कृष्णो यत्र पार्थो धनुर्धरः ।  
तत्र श्रीविजयो भूतिर्धुवा नीतिर्मतिर्मम ॥18(78)॥

‘Where there is *Yogeshwar* Krishna or ‘Clear Vision’ and where there is *Dhanurdhar* Arjun or ‘energy’, the following four outcomes are natural, say

‘Wealth, success (Victory), prosperity, and stable policies’.

So, when ‘vision’ and ‘energy’ combine, the desired results can easily be achieved.

This is, in fact, the ultimate purpose of any activity or business activity.

Accordingly, therefore, Gita is a very useful book. It contains not only the ethical values of the highest order, but it also teaches us the process of work, which will yield the desired results, as well.



### Check Your Progress- F

#### Answer the following.

1. Undue attachment is the true agent of success. (True/ False).
2. What is the key to attain equanimity in attitude?

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3. As per Gita, who resides in each soul?

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4. It is very important for leaders to be careful in their conduct, because people tend to ..... them.

5. How many outcomes have been referred to in the last verse of Gita?

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## 9.8 THE OTHER INDIAN SCRIPTURES

It is proposed in this unit to dwell upon the values from two other scriptures, viz., *Bhaagwat*, and *Shri Ram Charit Maanas*. Accordingly, a brief reference to these two books shall also be made.

### 9.8.1 SHRIMADBHAAGWAT

*Shrimadbhaagwat* or *Bhaagwat* is a devotional book dedicated to Bhagwan ShriKrishna. It contains a lot of devotional prayers, beautiful and of course very rich account of nature (esp. the rainy season), and the other relevant stories. However, it contains the ethical messages as well.

These ethical messages relate to sense-mind, discerning intelligence, and the ways and means to get rid of the attractions of desires. Some of the sample quotations are being referred to as below;

- i. The money earned by a person should be divided into five parts, say one for righteous actions, another part for general works of welfare, the third part should be earmarked for the growth of money or in other words, it should be invested in good options, the fourth part should be earmarked for one's own consumption, and the fifth part should be earmarked for the welfare of one's near and dear relatives<sup>40</sup>.
- ii. Untruthfulness is the biggest non-righteous attribute, and the earth says that it is unable to bear untruthfulness<sup>41</sup>.
- iii. It has been said about the trees that in their entire lifespan trees exist for the welfare others<sup>42</sup>.
- iv. All the creations in the cosmos are of three types, *i.e.*, *sat*, *raj* and *tam* are the three dominant types<sup>43</sup>.
- v. The conduct of wise people in the meetings dominated by the people who are devoid of virtues and righteous thinking has been explained in verse no 10 of chapter-44 of Tenth *Skandh*. It is advised in this verse that wise people should not go to such meetings<sup>44</sup>.
- vi. Importance of taking good care of old parents, wife, children, *Guru etc.* has been properly established<sup>45</sup>.
- vii. Contentment is the greatest attribute for a peaceful life<sup>46</sup>.
- viii. Good conduct can be learnt from animals and nature both<sup>47</sup>.
- ix. One must not have attachment or hatred for anyone and one must try to treat each-one as equal<sup>48</sup>.

<sup>40</sup> Verse no. 37, Chapter-19 of Eighth *Skandh*.

<sup>41</sup> Verse no. 04, Chapter-20 of Eighth *Skandh*.

<sup>42</sup> Verse no. 32, Chapter-22 of Tenth *Skandh*.

<sup>43</sup> Verse no. 11, Chapter-40 of Tenth *Skandh*.

<sup>44</sup> Verse no. 10, Chapter-44 of Tenth *Skandh*.

<sup>45</sup> Verse no. 07, Chapter-45 of Tenth *Skandh*.

<sup>46</sup> Verse no. 32, Chapter-52 of Tenth *Skandh*.

<sup>47</sup> Verse no. 33&34, Chapter-7 of Eleventh *Skandh*.

<sup>48</sup> Verse no. 16, Chapter-14 of Eleventh *Skandh*.

- x. The generic dharm for all the people is that they should observe complete non-violence (not even in thought or speech), not have anger, greed *etc.*, and they should never steal *etc.*<sup>49</sup>.

The above ten references have been given as the representative samples from the *Bhaagwat*, but the real truth is that this *puran* is full of ethical and devotional messages and the ultimate purpose of this *puran* is to help the human beings in becoming good human beings.

It is written in *Bhaagwat* itself<sup>50</sup> that sage Vyas had classified Vedas into four parts, wrote many Puranas and Mahabharat, but he did not get the desired happiness and peace of mind. Finally, as advised by the divine sage Naarad, Vyas Ji wrote *Shrimadbhaagwat* and attained solace, happiness, and peace. Such is truly the impact of *Shrimadbhaagwat*.

### 9.8.2 SHRI RAMCHARIT MAANAS

*Shri Ramcharit Maanas* Written by Goswami Tulasidas Ji is a great book respected and venerated by people. It is a treasure of good human virtues. In fact, it is considered to be the repository of all the values contained in the other scriptures.

Most of the virtues are depicted through various characters of *Maanas*, but some of the virtues have been given independently as well. Some of these virtues are as follows;

Helping others, doing good for others, keeping the company of good people, offering charities, leading a chaste and pious life, observing Dharm, speaking the truth, protecting the weak and helpless people *etc. etc.*

In fact, most of the verses of *Maanas* are full of ideal and ethical teachings and it is very difficult to sum-up these. Dr. Ram Vilas Sharma's statement about Goswami Tulasi Das<sup>51</sup> are worth quoting and I am tempted to translate his statements as below;

*'Whatever Tulasi Das, in his own individual capacity, did for this country, no other poet of the world did for his/her country. He liberated the masses from the pressure of Persian and Sanskrit, and secured the new honour for the language by his works. Whatever the Hindi-speaking common people treasure by way of Dharm, ethical values, and literature, eighty percent of the same emanates from TulasiDas.'*

The only suggestion that can be offered is to tell people to seriously understand this book.

If people follow the teachings as contained in Indian scriptures, they will become the best human beings. These values hold good for social as well as corporate conduct. So, these values are very important for corporate governance, because whatever is the apparent conduct of an individual, it is the reflection of his/her inner-self. Now if an individual is full of these

<sup>49</sup> Verse no. 21, Chapter-17 of Eleventh *Skandh*.

<sup>50</sup> Chapter-4 of First *Skandh*.

<sup>51</sup> "तुलसीदास ने अकेले इस देश के लिए जो कुछ किया, वह संसार में किसी कवि ने किसी देश के लिए नहीं किया। फारसी और संस्कृत के दबाव से उन्होंने जन-जीवन को मुक्त किया; अपने कृतित्व से भाषा को नई प्रतिष्ठा दी; हिन्दी भाषी जनता के पास धर्म, नीति, साहित्य के नाम पर जो कुछ है, वह अस्सी प्रतिशत तुलसीदास की देन है।" —डॉ० रामविलास शर्मा, 'निराला की साहित्य साधना', प्रथम खण्ड,

ISBN:978-81-267-0435-4 (नई दिल्ली : राजकमल प्रकाशन (प्रा०) लि०, 2010) पेज-491

positive virtues, his/her conduct is bound to be good and positive in all his/her external endeavours, because external actions are a manifestation of the inner-self.



### ***Check Your Progress- G***

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**Indicate whether the following are ‘true’ or ‘false’.**

1. *Shrimadbhaagwat* is a devotional book.
2. Contentment is the greatest attribute for peaceful life.
3. Giving shelter to others is a great virtue in *Ramcharit Manas*.
4. Goswami Tulsi Das ji wrote Ramayan.

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## **9.9 SUMMARY**

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- In order to trace values from the scriptures, one needs to go deeper into the stories, actions and motifs. Indian scriptures also contain values in the same manner, but the characters of divine heroes contain a lot of values and as such the characters of Shri Ram and Shri Hanuman ji contain a lot of values. If these characteristic values are objectively listed human-beings are left with the most important collection of individual values, which are capable of creating a wonderful human. No one can emulate, imbibe or follow all the characteristic virtues of these divine characters but even a few of these can render a life meaningful.
- Accordingly, in this unit characteristic virtues from Ramayan, Mahabharat, Shrimadbhaagwat and Shri Ram Charit Manas have been objectively explored and listed.
- Further, value-system of Shrimadbhaagwadgita has been introduced through a few major aspects thereof. Gita, though a part of Mahabharat, is separately read and worshipped for its message and its values. It is said to contain the gist of all the Upanishads. The value of the message of Gita is so vital that it has been translated into all the major language of the world. In this unit an attempt has been made to acquaint the learners with the basic values as contained in Gita. If some of the learners get motivated, after reading this unit, to read Gita and become good humans, the effort would really stand rewarded.



## 9.10 GLOSSARY

**Deekshopadesh** : At the time of convocation certain commands are given. It has been taken from Taietrey Upanishad. This sermon is a kind of oath which the graduating learners take after completion of their programmes of studies. It is an excellent example of our ancient value system.

**RamRaj** : The reign of Bhagwan Shri Ram was so good that it symbolizes the ideal system of administration. It is believed that during Ram Raj all the people were the happiest and they led a happy life in all the respects.

**Kinker** : Word '*Kinker*' means a servant having the heightened sense of service to his master. Shri Hanuman ji has been referred to as the *Kinker* of Bhagwan Shri Ram. It establishes the value attached to selfless and dedicated service.

**Yam** : This is a term from Yog. Yamas are five, viz. non-violence, truth, not to steal, sensual abstinence, and non-acquisitiveness. In Sanskrit the original terms are *ahimsa*, *satya*, *asteya*, *bhramcharya*, and *aparigraha* respectively.

**Niyam** : These are also five, viz. cleanliness (*Shouch*), contentment (*Santosh*), austerity (*Tapas*), Studies leading to self-awareness (*Swadhayaya*), and surrender to God (*Eeshwar-Pranidhan*).

**Swadharm** : *Swadharm* is a term peculiar to Gita. It refers to one's own righteous conduct decided with reference to the situation prevailing at a particular time. Before finalizing it one may seek advice and weigh it from various angles, but once decided it becomes one's own righteous conduct or *Swadharm*.

**Detachment**: When one leaves or avoids the attachment, one is considered detached. It is the most important concept in the theory of Karm, as given in Gita. Since attachment is the root cause of confusions and wrongdoings, one should always try to remain as detached as possible.

**Equanimity** : It refers to equality or the sense of treating all with equality. Equanimity helps in practicing detachment. A detached person treats gold or a piece of wood or a stone as equal. Such an insight leads to inculcation of *Yogic* thought process.

**Righteous conduct** : This phrase actually refers to *Karm* or *Dharm*. That what is justly and righteously doable is righteous conduct or *Karm* or *Dharm*.





## 9.11 ANSWERS TO CHECK YOUR PROGRESS

### Check Your Progress –A

- (i) True                      (ii) False                      (iii) False                      (iv) False

### Check Your Progress –B

- (i) Divine Sage *Naarad*                      (ii) False                      (iii) Ram Raj                      (iv) True  
(v) Dedicated Service to *Shri Ram*

### Check Your Progress –C

- (i) True                      (ii) True                      (iii) False                      (iv) True

### Check Your Progress –D

- (i) Karma                      (ii) Confusion                      (iii) Five                      (iv) Sanjay

### Check Your Progress –E

- (i) Attachment                      (ii) None                      (iii) Swadharm                      (iv) Samatav Yog

### Check Your Progress –F

- (i) False                      (ii) Practice and Non-attachment  
(iii) God                      (iv) Follow                      (v) Four

### Check Your Progress G

- (i) True                      (ii) True                      (iii) True                      (iv) False



## 9.12 REFERENCES

1. श्रीमद्वाल्मीकीय रामायण                      (गीता प्रेस, गोरखपुर)
2. महाभारत (06 भाग)                      (गीता प्रेस, गोरखपुर)
3. श्रीमद्भागवतपुराण (02 भाग)                      (गीता प्रेस, गोरखपुर)
4. श्रीरामचरितमानस                      (गीता प्रेस, गोरखपुर)




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## 9.13 SUGGESTED READINGS

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1. श्रीमद्भगवद्गीता (गीता प्रेस, गोरखपुर).
2. Commentaries on Shrimadbhagvad Gita by various authors (Vinoba Bhave, S. Radhakrishnan, Jai Dayal Goyandka, Swami Krishnanand, Shri A.C. Bhaktivedant Prabhupad, Shri Adgadanand ji. etc.etc).
3. श्रीमद्वाल्मीकीय रामायण (गीता प्रेस, गोरखपुर)
4. श्रीरामचरितमानस, (गीता प्रेस, गोरखपुर)




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## 9.14 TERMINAL QUESTIONS

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### A. Short Answer-type question

Q1. Write short notes on;

(a) Deekshopadesh

(b) Shanti Paath

Q2. Describe the environmental concerns as given in Mahabharat.

Q3. Write a note on the concept of 'Swadharm', as given in Gita.

Q4. Discuss the concept of deterministic intellect as per Gita.

Q5. Write a note on leadership on the basis of inputs from Gita.

### B. Long Answer type question

Q6. Discuss the characteristic virtues of Shri Ram on the basis of inputs from Shri Valmiki's Ramayan.

Q7. Write a detailed account of characteristic virtues of Shri Hanuman ji on the basis of inputs from Shri Valmiki's Ramayan.

Q8. Do you believe that Indian scriptures contain the finest of human values? If so, please furnish suitable examples in support of your answer.

Q9. 'Gita is a perfect classic of life-management'. Discuss this statement.

Q10. 'Any discussion about values in India is incomplete without Indian scriptures'. Discuss.

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## **UNIT 10 TRANS-CULTURAL HUMAN VALUES IN MANAGEMENT EDUCATION**

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### **10.1 Introduction**

### **10.2 Objectives**

### **10.3 About Values**

### **10.4 Mechanism Behind Realization of a Value**

### **10.5 Comprehensive Framework of Values**

### **10.6 Universal Human Values**

### **10.7 Socio-Economic Factors and Values**

### **10.8 Culture and Values**

### **10.9 Paradigms of Ethics**

### **10.10 Ethics and Management**

### **10.11 Summary**

### **10.12 Glossary**

### **10.13 Reference/ Bibliography**

### **10.14 Suggested Readings**

### **10.15 Terminal & Model Questions**

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## **10.1 INTRODUCTION**

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In the daily course of life people are faced with numerous situations and instances where they have to take decisions that have huge consequences on themselves as well as the society at large. The values that people adhere to reflect their philosophy towards life and form a fundamental component of their broad orientation. In this unit you will learn about values in personal and professional life, cross culturally relevant values and the relevance of particular values in specific situations

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## **10.2 LEARNING OBJECTIVES**

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After going through this unit, the student will be able to:

- Define and explain the nature of values and related concepts

- Recognize the importance of values in personal and professional life
- Recognize the cross culturally relevant values
- Explain the underlying mechanism of a choice based on values
- Interrogate the importance and relevance of particular values in specific situations
- Practice the values-based decision making

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## 10.3 ABOUT VALUES

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### 10.3.1 A BRIEF CASE:

In the ancient scripture of Mahabharata, Karna occupies a central role and engenders a range of associations and emotions with respect to his life, the choices he made, the injustice and adversities he faced, and his consequent demise in the battlefield. One of the attributes that Karna has been associated with pertains to his capacity for charity (Daanveer Karna).

During the battle of Mahabharata, karna's father (Sun God) had warned him to not give away his golden armor and earrings (his life saving defense) as an act of charity to Lord Indra disguised as a brahamana. Dismissing the warning Karna bequeathed his armor and earrings without any hesitation, leaving him vulnerable for the battle. Based on this and similar events he is hailed as a benevolent individual and a man of his words.

However, there lies a missing link in this whole incident. The link is regarding the underlying motive and intrinsic purpose behind Karna's so called selfless charitable orientation. Srimadbhagwath notes that realizing that Karna was adamant to give away his armor and earrings, Sun God had advised him to negotiate for the Shakti weapon in return from Lord Indra. Though initially Karna had rejected the warning and the advice, but when Indra arrived, Karna resorted back to the advice to barter the weapon in exchange. This sheds some light on the underlying motive of Karna behind his act of charity. He devised a strategy to stake his defense in exchange for the weapon as a leverage that would help him fulfill his vow to kill Arjuna.

Sri Govind Das in his book 'Karna On Trial' has analyzed the incident and proposed that Karna's act of charity was not based on the value of selflessness; rather it fueled his two self-centered goals of being portrayed as a benevolent person and to fulfill the vow he had undertaken.

This unit begins with this brief case study drawn from our cultural discourse to bring out the nature and role of values in human behavior.

### 10.3.2 VALUES: AN INTRODUCTION

Etymologically, the meaning of values range from "price equal to the intrinsic worth of a thing"; "degree to which something is useful or estimable," to "worth, price, moral worth; standing, reputation". In Indian tradition 'Dharma' is closest to the notion of values. It is

defined both cognitively and behaviorally as a value that guides one's behavior in life. Etymologically, the word Dharma has micro as well as macro meaning. In micro perspective, it refers to the set of principles that is held or followed by an individual. However, macro perspective of Dharma refers to those principles which hold the society. Oxford Dictionary defines Dharma as 'Dharma is seen as the cosmic law both upheld by the gods and expressed in right behavior by humans, including adherence to the social order'. The universe is a large social system and human beings are its integral part. Dharma is the common thread which entwines the components of this larger system. Dharma means that which one lays hold of and which holds things together.

### 10.3.3 CLASSIFICATION OF VALUES

Values can be broadly classified as:

- a) Objective Values: There is a general tendency in people to like certain things and have aversion towards specific other objects and their attributes. These objects inherently have no value. However, on the basis of their expectations from the objects people attach value to them. For instance: with respect to the job of an individual, career growth in terms of promotion represents an objective value. This brings out the feature of value that there is no standard of value, it's the attitude or the preference that an individual has towards an object that provide them with specific values.
- b) Subjective Values: These are based on the individualized interpretations of the various situations and circumstances that people face and these change with a change in conditions. Psychological conditioning has a significant influence on subjectivity of values and further impact how activities are conducted in a society. Some values are subjective, however not all. Response towards these values is similar, for instance: truthfulness or lying. The subjectivity comes in the form of the response towards these universally accepted norms and not specifically the values themselves.

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## 10.4 MECHANISM BEHIND REALIZATION OF A VALUE

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As discussed earlier, knowledge of facts leads the way towards realization of a value via determining the path undertaken and arousing a desire for the value (Kanada: Vaiseshika Sutras, 1923). A value has its roots in feelings, that is, there is a strong association of a value with a feeling of pleasure/liking that acts as the primary reason that people expend efforts to seek it. Therefore, based on knowledge of facts, the idea of value comprising of a feeling of pleasure, gives rise to a desire, which by initiating an action plan, culminates into the realization of the value.

It can be understood that the process of realization of a value encompasses all three aspects of mental functions, namely cognitive, affective and behavioral. An important point note here is that a value is not always the end objective (Sadhya) that has to be satisfied, the means undertaken in the form of sub-serving ends are also described as values.

These sub-serving means could assume the following roles:

a) Instrumental Value:

The instrumental value is measured in terms of the bridging capability of a thing. That is, how effective a thing is as means to attain something else (an end) that is good. For example: the instrumental value of a refrigerator is that it is a means to keep food articles fresh for consumption, a cell phone is instrumental in connecting people staying away from each other.

b) Intrinsic Value:

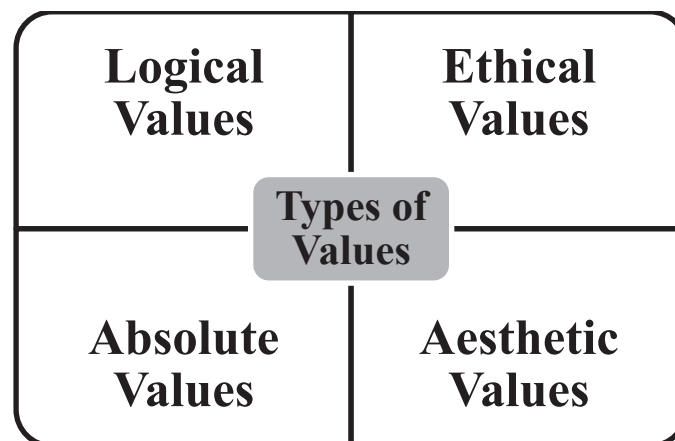
Intrinsic value represents something that is essentially good on its own, valuable in and of itself. Intrinsic value might not assist in the process to achieve something else that is good; however, it is valuable for its own essence. For instance: friendship might be useful for achieving other goals, but it is valued for its own relevance. Similarly, love, wisdom, beauty and health. However, these values may assume the role of instrumental values as well depending upon an individual.

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## 10.5 COMPREHENSIVE FRAMEWORK OF VALUES

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Historically, there has been more emphasis on the theory of knowledge than the theory of values. This is evident from the significance of logical and scientific ways of functioning contrary to the value and philosophical orientation of individuals (Smith, 1957). In fact, logic forms just a part of the broad theory of values. Indian Philosophy fills in this gap and offers an exhaustive view of the theory of values. M Hiriyanna (1975), in his book *Indian Conception of Values*, provides a comprehensive framework of values and describes values as having the following four orientations:



**Fig 10.1 Framework of Values**

### 10.5.1 LOGICAL VALUES

Logic is linked with the study of reasoning and the specific principles involved in the process of inference and analysis. The theory of knowledge promotes the exercise of logic with reference to the situations that one encounters; however, with an absence of a motive knowledge loses its essence. The cognitive processes involved in a particular situation

coupled with logic helps determine the value of knowledge. Knowledge comprises of six underlying processes to unearth the unknown and the nature of things, namely: perception, inference, comparison, postulation, non-cognition and language.

### **10.5.2 ETHICAL VALUES**

It is the moral philosophy that lays down the principles that help people to define what is good, what is bad, what is right and what is wrong. Values can be seen from the perspectives of existing as desires or obligations, i.e. the distinction between 'I want to' and 'I ought to'. They are concerned with the practice of virtuous conduct such as sharing and caring attitude towards friends and neighbors, benevolence and generous orientation towards the poor and needy. The obligatory component of ethics has its roots in the fact that individuals are a part of the society at large and therefore they have certain indebtedness towards other stakeholders in the broader community. The theory of ethics includes five sub-components:

- **Meta-ethics:** Deals with the meaning that people construe of ethical sentences and the effect they have
- **Desirable values:** Focuses on the desirability and value of things and situations. E.g.: goodness of mental states of pleasure, jobs, tax reforms and policies.
- **Theory of conduct:** The focus here is on the goodness of human-beings and their actions
- **Ethical behavior:** These represent the benchmarks or the guideposts in facilitating moral behavior ('ought to')
- **Applied Ethics:** Involves in-depth analysis and examination of moral issues concerned with people and society at large, for example: issues relating to environment, medicine, business and society

### **10.5.3 ABSOLUTE VALUES**

Absolute or ultimate values are intrinsic in nature i.e. they are valuable in their own essence, although they may serve as instrumental means to attain something good as well. Absolute values are all-comprehensive and all-satisfying in the sense that they are one, eternal and final. Of the three spiritual values of truth, goodness and perfection, practice of truthfulness and goodness are interconnected and co-dependent on each-other's pursuit. Their combined pursuit is instrumental in achieving the ultimate value.

### **10.5.4 AESTHETIC VALUES**

The term aesthetic is linked with the appearance or intrinsic beauty of an object. Aesthetic values involve an appreciation of the innate perfection of nature and all its exquisite beauty and a sense of deep connection with the nature. Personal filters, concerns and narrow vision all hinder an individual's ability to observe intrinsic beauty. Transcending beyond these obstacles and assuming a detached outlook can enable an individual to appreciate the beauty in nature and savor it. Aesthetic experience stands parallel with the all-satisfying ultimate value and proximally close to absolute experience.



## 10.6 UNIVERSAL HUMAN VALUES

With knowledge and skills being hailed as the primary force behind productivity based output and the main criteria for rewards, value disposition in people has taken a secondary position. This dismissal of values in basic functioning has led to destructive results originating from the devious utilization of knowledge and skills. A blind eye towards values represents a major reason behind the wrongdoings and problems that people face today.

Human values encompass the collective orientation of the people living in the society with respect to what is desirable or preferable (Rokech, 1973). Values denote a platform to study, analyze and express the characteristic features of a culture or community (Wittgenstein, 1980). Every society lays down its specific value system that acts as a guiding post for the people belonging to it (Tejomayananda, 1994; Zavalloni, 1982). A few of these value systems comprise of:

- Communication of the truth and not disagreeable truth or agreeable falsehood
- An individual who consumes the benefits of efforts extended by others but his, is a social thief
- The means undertaken to amass wealth signifying purity in acquisition of wealth and adoption of clean ways
- Significance of charity, contentment, character and health as the true treasures and gems of life

In contrast to the above mentioned values that are established by social or political systems and might vary across societies and communities, inner values represent the virtues that are common and similar across all systems. The factors of region, religion, language, race has no influence over these universal values. For instance: an honest man is an honest man universally.

### 10.6.1 CORE VIRTUES AND VALUES

Dahlsgaard, Peterson and Seligman (2005) found great amount of similarity across cultures with respect to six core virtues and values (listed below) that are universally acknowledged and accepted.

<b>Virtue</b>	<b>Description</b>
<b>Courage</b>	<b>Emotional strengths that involve the exercise of will to accomplish goals in the face of opposition, external or internal; examples include bravery, perseverance, and authenticity (honesty)</b>
<b>Justice</b>	<b>Civic strengths that underlie healthy community life; examples include fairness, leadership, and citizenship or teamwork</b>
<b>Humanity</b>	<b>Interpersonal strengths that involve “tending and befriending” others (Taylor et al., 2000); examples include love and kindness</b>
<b>Temperance</b>	<b>Strengths that protect against excess; examples include forgiveness, humility, prudence, and self-control</b>

<b>Wisdom</b>	<b>Cognitive strengths that entail the acquisition and use of knowledge; examples include creativity, curiosity, judgment, and perspective (providing counsel to others)</b>
<b>Transcendence</b>	<b>Strengths that forge connections to the larger universe and thereby provide meaning; examples include gratitude, hope, and spirituality</b>

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## 10.7 SOCIO-ECONOMIC FACTORS AND VALUES

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Ethics function as control measures to keep in check the negative activities of a society such as greed, malpractices and wrong-doings. With contributions from various disciplines, namely economic, politics, science and psychology, ethics as a domain has been influenced greatly and in return it hugely impacts the thoughts and actions of people and shapes the structure of society at large.

The impact of social and economic factors on ethical values can be understood based on the following three perspectives:

- Economist or Materialist View
- Humanist-Materialist View
- Humanist View

### 10.7.1 ECONOMIST OR MATERIALIST VIEW

Originating at the dawn of industrial revolution, the economist view has over the years contributed towards the dilution of ethics in the society. With an emphasis on economic efficiency, pareto optimality and development in terms of material progress (Galbraith, 1970), the economist view has promoted materialism over any other value. Significant contributions have been done to the economist view and its materialist inclination in the form of Adam Smith (1966) on national income and role of wealth in a society; Ricardo (St. Clair, 1957) on concepts of goods and commodities, the role of factors of production and distribution of income amongst the factors; J. Bentham on defining the utility of a commodity and price as an exchange value; and George Soros (2002) on freeing markets from regulations, i.e. laissez-faire.

The effect of the established structure of the economist view led to an automatic adoption of the underlying materialism at the psychological levels (Muncy and Eastman, 1998). Materialism is based on the principles of continuous pursuit, acquisition, and consumption. This is instrumental in running the processes of the economy. Other associated feelings with a materialist orientation include envy, possessiveness and non-generosity (Muncy and Eastman, 1998). This tendency has consequent repercussions on the moral fiber, sense of togetherness and tolerance of the people in the society. Materialism puts other intangibles

such as ethics, friendship, sharing and caring attitude at a lower priority, thereby increasing the possibility of assuming unethical behavior.

### 10.7.2 HUMANIST-MATERIALIST VIEW

In response to the negative impact of the economist-materialist view, contributions from the disciplines of psychology and sociology helped in the evolution of a relatively humane, the humanist-materialist view.

Karl Marx, based on his analysis Dialectic Materialism held private ownership of factors of production as the key factor behind the suffering and mass exploitation of people. Opposing the capitalist functioning, Marx proposed a socialist orientation to reduce the damaging effects of materialism. With welfare of the society as its primary objective and promotion of equality, socialism puts the control of factors of production, distribution of income and financing in the hands of the government elected by the people. However, this thought system also suffers from a drawback in the form of the corruption of and excessive regulation imposed by the government. Equality can be ensured if it is run by competent people with an altruistic attitude to benefit the masses.

The Marxist approach does make some efforts against the pure materialism stand of capitalism in the form of a moral criticism of its functioning, however, it does not voice its support strongly for the ethical ways of operating. Marx was not against the business enterprises per se, he condemned them for their ethical incompetence. Put differently, his view on ethics is represented by the behavior of the people in control of the systems of economy that gets reflected in the relative morality of the society at large.

### 10.7.3 HUMANIST VIEW

The humanist perspective emphasizes on the inner-self and its capability to first recognize the existence of both materialist and non-materialist paths and subsequently strike a balance between the two. It focuses on the importance of cultivating values of integrity, duty, and discipline that in return contributes towards the economic development. Integral humanism represents an integrated composition encompassing social, cultural and economic factors. Pandit Deendayal Upadhyay developed the doctrine of Integral Humanism (Ekatma Manav Darshan). This approach focuses on four hierarchically ordered attributes of humankind i.e. body, mind, intellect and soul corresponding to the four-fold universal objectives i.e. four purusharthas (Thengadi, 1998). The four purusharthas constitute artha (wealth), kama (pleasure), dharma (virtue) and moksha (salvation) with the lower achievements of artha and kama functioning as a means to gradually progress towards the higher ones (dharma and moksha).

(Pt. Upadhyay laid down philosophy called EkatmaManavDarshan. It is based on Hindu way of life. However, 4 purushartha are integral part of Hindu philosophy and is very ancient concept).

It offers a path to grow inwardly, yet enjoy the extrinsic avenues of life. Humanist view postulates an all-embracing way of being that includes acquiring wealth, having pleasures, simultaneously maintaining an ethical outlook.

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## 10.8 CULTURE AND VALUES

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Values form an all important element of a culture and shape the ways things are done in a society. Depending on a specific culture, the deep-rooted values are disseminated with the people belonging to the culture and are ingrained in the way of being. Another function that values corresponding to a culture perform is that they shape the attitudes of the individuals (Feather, 1985). Religious practices and the customs are among the other factors that determine the attitude of people. Customs denote the unofficial laws based on tradition and facilitate socially approved conduct (Tejomayananda, 1994).

Values ingrained in various cultures also aims to optimize the activities of people and institutes so as to bring welfare to the maximum number of people (Huddleson, 1998).

### 10.8.1 WESTERN CULTURE

With the advancement in science and logic based of operating, formal form of religion was separated from the mainstream functioning. This was a step towards identifying evolution of self-awareness and a existence of inner and outer self (Phegan, 1996). Scientific discoveries made by Issac Newton (gravity), Galileo and the ground breaking theory of relativity (time and space) brought in a new wave of thinking and understanding world. As a result, scientific principles based on data, observation and experience became the foundations of the western culture. This scientific approach laid down effective mechanism to determine results and verify their validity through repetition. This further aided in better processes of production and the resulting efficiency. It facilitated a drive in people to discover new aims and desires and work towards fulfilling them. The features of western culture include a self-centered way of life, market oriented creation of new needs, exploitation of natural resources and setting up of large industries for massive production.

### 10.8.2 INDIAN CULTURE

Indian culture has its roots based in the Vedic or Sanatan religion. As recorded in the ancient scriptures of Bhagawad Gita, the Vedas and the Upanishads, the principle that is central to this religion involves a consistent seeking of the truth and leading a harmless life. The culture provides specific tools to enable a person to seek truth in the form of practicing discipline, Yoga, meditation and Karma Yoga. Pursuing Artha (economic prosperity) and kama (consumption) within the boundaries of Dharma (explained in section 1) with ultimate objective of attaining spiritual freedom (Moksha) is the most widely accepted values framework of Indian culture. The Key features of Indian culture comprise of spiritual growth of self, deep connection with the nature, discipline in individual efforts, and a sense of communion with others.

### 10.8.3 INTER-PLAY OF CULTURE, INDIVIDUAL AND MORALITY WITH VALUES

Cultural Relativism	Individual Relativism	Moral Absolutism	Moral Relativism
<ul style="list-style-type: none"> <li>• Depicts values as a function of culture</li> <li>• The definition of right or wrong is in accordance to a specific culture</li> <li>• Norman Bowie (1990) points out that cultures are similar in treatment of universal values</li> </ul>	<ul style="list-style-type: none"> <li>• Portrays values in relation to the individual feelings and attitude of people</li> <li>• Undermines the role of culture in validating what is right or wrong</li> <li>• No acceptance of the universal values and might lead to chaos in society</li> </ul>	<ul style="list-style-type: none"> <li>• Regards morality as something absolute and not contingent on cultures or individuals</li> <li>• Establishes norms: 'Right is right and Wrong is wrong'</li> <li>• Represents actions as innately moral or immoral. Eg: lying</li> </ul>	<ul style="list-style-type: none"> <li>• Recognises the role of cultures and customs in influencing moral values</li> <li>• The commonalities amongst the cultures act as the means to judge moral issues across the cultures</li> </ul>

Fig 10.2 Culture and Values



**Check Your Progress- A**

**Q1. What is meant by the term value and explain the process of realization of a value?**

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**Q2. How have the socio-economic perspectives of capitalism, socialism and humanism contributed towards the current framework of values?**

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**Q3. Does culture has any influence on values? Differentiate between the value orientation in the Western culture and the Indian culture.**

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## **10.9 PARADIGMS OF ETHICS**

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Conventionally, there exist two major paradigms of ethics that enable an understanding of the thought processes governing the orientation of actions and behaviors: teleology and deontology.

### **10.9.1 TELEOLOGY**

Teleology has its roots in Greek word denoting ‘end’. The central idea administering the teleological school of thought concerns with the morality of the end result or the consequence of any act performed or the path undertaken. If the end result of any activity is desirable, i.e. if it results in growth, education, pleasure, wealth, upliftment and so on, the act is considered as morally right. With its emphasis on the consequences of the actions performed, it is also known as consequentialism. It further comprises of two sub-philosophies, namely: egoism and utilitarianism.

Egoism pertains to the correctness of a behavior based on its consequences that are desirable for an individual. In other words, the focus is on the maximization of objectives of an individual. This may take the form of wealth, leisure, fitness, career, family and relationships.

Utilitarianism is based on the idea of maximum good for the maximum number of people. The stress here is on the efficacy of a decision that leads to benefitting (maximum) all the stakeholders associated to the decision. Instances here belong to national policy regarding health and medicine, social security schemes and regulations with respect to food articles.

### **10.9.2 DEONTOLOGY**

Originating from the Greek word for ‘ethics’ and ‘duty’, deontology concerns with the intentions behind an action rather than the end it leads to. Focus here is primarily on the rights of people that should not be impacted adversely even if the resulting consequences are desirable. The means undertaken by people to achieve the ends are more important than the

end themselves. For instance: killing a criminal to protect the family has desirable result, however, the rationale behind the activity (killing) is immoral, and therefore the action being considered is immoral.

### 10.9.3 VIRTUE ETHICS

Contrary to the end oriented teleology and duty focused deontology, virtue ethics emphasizes on the virtues and moral character of an individual. It states that, in addition to following the moral standards, it is important to deal with a given situation considering what a mature person with a moral character would adjudge as appropriate. A moral virtue represents a disposition that a person cultivates to become a part of their character. Aristotle listed loyalty, courage, wit, community, and judgment as the ‘excellences’ that a society needs to aspire for. From the Indian perspective, ancient scripts of Mahabharata and Ramayana sheds light on the importance of virtues in performing of actions and overall way of life.

### 10.9.4 PRAXIS SCHOOL

Sorab Sadri, Dastoor and Jayashree (1999), based on their empirical study involving responses from managers at Indian industries, proposed the school of thought they called the ‘Praxis School’. This paradigm is based on the notion of open discussion by a decision maker regarding a decision; if one can discuss the various aspects of a decision with significant others (peers, groups) openly, the decision is considered as ethical. This approach specifically takes into consideration the issues that fall in the grey area, i.e. out of bounds of the conventional black and white and right or wrong.

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## 10.10 ETHICS AND MANAGEMENT

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Large scale development and globalization have had numerous positive impacts on the lives of people; however, they have also led to emergence of large scale ‘social entropy’. This social entropy has in turn resulted in the erosion of ethical orientation rooting from an excessive consumption, consumerism, and competition, and a non-ending greed. As a consequence of which there has been a rise in the unethical ways of doing business.

In the ancient Indian times, the expression of ethical business practice was depicted as ‘shubh-labh’, i.e. ethical profits earned by undertaking ethical means (Sharma, 2002). The traditional Indian thought system aims at a holistic well-being encompassing life of an individual in personal, professional and societal levels. This holistic outlook recognizes the inter-dependence and linkages of one’s action in one domain of life with the others. Consequently, taking unethical path towards a professional goal might have an impact on the personal or societal fronts of life.

Subhash Sharma (2004) identifies three aspects that constitute the concept of ‘shubh-labh’ with reference to business enterprise; they are human values, business ethics and market karmas. These are based on the concepts of paradigms of ethics, karmic theory and positive competition, takes into consideration a balanced approach to the four purusharthas: artha, kama, dharma and moksha.



### 10.10.1 THE YVK FOUNDATIONS OF INDIAN MANAGEMENT

‘YVK’ is an acronym for Yoga, Vedanta and Kosha. Subhash Sharma (2006) postulated this framework based on the ancient scriptures offering theoretical concepts and practices that have relevance in the modern day life coupled with a universal acceptance.

**Y:** Udyoga as aYoga: Udyog in India is known as industry. Udyoga as a conception of Yoga integrates the principles of Yoga with the theory of management. With a focus on the factors of creation: knowledge, power, capital and labor; Udyoga aims to bring harmony and connection in the processes of operation in businesses.

**V:** Vedanta: This element of the framework is concerned with the implementing the principles prescribed by the Vedas in the management of businesses. ‘Management by consciousness’, ‘management by values’, ‘spirituality at workplace’ are some of the concepts derived from the teachings of Vedanta that have specific significance in organizations today.

**K:** Kosha: The ‘panchkosha’ model of consciousness for self awareness forms the foundation for the Kosha component of the YVK framework. It represents an ‘energy systems’ theory encompassing five kinds of energy: cosmic, oceanic, spiritual, heart and animalistic energy. It also has its roots in the guna theory, i.e. human behavior in terms of saatvik (spiritual), rajasik (humanistic) and tamasik (animalistic) aspects. Kosha model has relevance in terms of managing and optimizing flow of energy in various functions of the business.

### 10.10.2 HOLISTIC MODEL OF BUSINESS ETHICS: IOM FRAMEWORK

The level of ethical orientation of a business can be seen as a result of the constant interplay between the individual’s ethics (I), organizational ethics (O) and the market ethics (M).

Business Ethics = Individual Ethics x Organizational Ethics x Market Ethics

- Individual Ethics is a function of one’s character, conduct and commitment to values
- Organizational Ethics relates to the ethical disposition of the management and the decision makers
- Market Ethics pertains to the ethics of competition in the market place comprising of businesses and other stakeholders

### 10.10.3 ETHICAL DILEMMAS

It is in the nature of the essential activities that businesses are involved in, that ethical dilemmas are a common occurrence. Lying beyond the scope of the explicit black and white, right and wrong representation, ethical dilemmas belong to the grey areas, and that too having huge implications on various stakeholders.

The following three approaches assist in better management of the ethical dilemmas:

a) **Dialectics:** This approach is based on the employment of contradictory position of a given issue. It involves identifying the opposite stand and using it to tackle the ethical dilemma. It is best depicted as a process of Position – Opposition – Proposition. The issue is articulated from the contradictory perspective and dialogues are used to generate insights in order to solve the matter.

b) **Dialogue:** In this approach an active engagement with the issues is undertaken by conducting continuing discussion. Numerous perspectives and lenses are employed to see the situation from varied positions. While discussing, raising the right questions facilitate arriving at solutions to the issue at hand.

c) **Commentary:** This is traditionally an Indian approach and involves writing about the issue in an elaborate manner backed with logical arguments. Metaphors are also used to emphasize on specific perspectives. This assists in taking an account of the current understanding of the issue in different contexts.

Depending upon the situation, managers can combine all the three approaches to resolve the ethical dilemmas effectively.

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## 10.11 SUMMARY

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In this unit you learnt that values range from "price equal to the intrinsic worth of a thing"; "degree to which something is useful or estimable," to "worth, price, moral worth; standing, reputation". In Indian tradition 'Dharma' is closest to the notion of values. It is defined both cognitively and behaviorally as a value that guides one's behavior in life. A value has its roots in feelings, that is, there is a strong association of a value with a feeling of pleasure/liking that acts as the primary reason that people expend efforts to seek it. Therefore, based on knowledge of facts, the idea of value comprising of a feeling of pleasure, gives rise to a desire, which by initiating an action plan, culminates into the realization of the value. In this unit you also learnt that Human values encompass the collective orientation of the people living in the society with respect to what is desirable or preferable (Rokech, 1973). Values denote a platform to study, analyze and express the characteristic features of a culture or community (Wittgenstein, 1980). Every society lays down its specific value system that acts as a guiding post for the people belonging to it (Tejomayananda, 1994; Zavalloni, 1982). Values form an all important element of a culture and shape the ways things are done in a society. Depending on a specific culture, the deep-rooted values are disseminated with the people belonging to the culture and are ingrained in the way of being. Another function that values corresponding to a culture perform is that they shape the attitudes of the individuals (Feather, 1985). Large scale development and globalization have had numerous positive impacts on the lives of people; however; they have also led to emergence of large scale 'social entropy'. This social entropy has in turn resulted in the erosion of ethical orientation rooting from an excessive consumption, consumerism, and competition, and a non-ending

greed. As a consequence of which there has been a rise in the unethical ways of doing business.



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## 10.12 GLOSSARY

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**Values:** Values range from "price equal to the intrinsic worth of a thing"; "degree to which something is useful or estimable," to "worth, price, moral worth; standing, reputation".

**Instrumental Value:** The instrumental value is measured in terms of the bridging capability of a thing. That is, how effective a thing is as means to attain something else (an end) that is good.

**Intrinsic value** represents something that is essentially good on its own, valuable in and of itself. Intrinsic value might not assist in the process to achieve something else that is good; however, it is valuable for its own essence.

**Aesthetic values** involve an appreciation of the innate perfection of nature and all its exquisite beauty and a sense of deep connection with the nature.

**Egoism** pertains to the correctness of a behavior based on its consequences that are desirable for an individual. In other words, the focus is on the maximization of objectives of an individual. This may take the form of wealth, leisure, fitness, career, family and relationships.

**Utilitarianism** is based on the idea of maximum good for the maximum number of people. The stress here is on the efficacy of a decision that leads to benefitting (maximum) all the stakeholders associated to the decision.




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8. *Wisdom Leadership* By : Prof. S.K. Chakraborty Wheeler Publication.
9. *Corporate Governance 2/e*, MacMallin, OUP
10. *The Management and ethics Omnibus*- Chakraborty, OUP
11. *Values and Ethics for Organizations*, Chakraborty, OUP/OIP

12. Perspectives in Business Ethics, Hartman, Chatterjee



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## 10.15 TERMINAL QUESTIONS

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Q1. Discuss in brief the various schools of thought pertaining to ethics and their characteristic features. Cite suitable examples.

Q2. How significant is ethics with respect to the activities conducted in business organizations? Discuss in brief the YVK foundations of Indian management and the holistic model of business ethics.

Q3. What are ethical dilemmas and how to effectively handle these dilemmas?

Q4. Revisit the story of Karna as explained in the introduction section and analyze the instance with respect to any of your real life experience. Reflect back and note down the cognitive, affective and behavioral dynamics that you recollected. In the light of this information and considering the learnings from the unit, where do you place values in the daily course of functioning? How do values influence your actions? Be free to utilize the paradigms discussed, thought systems stated, and the frameworks described in the unit.

Q5. With organizations operating globally and people working belonging to varied cultures and having their individualized opinions, what has the unit discussed about the subjectivity in perceiving values and the existence of some objective universal values? How can an individual transcend beyond his subjective view and adopt a more culturally inclusive (universal) approach towards values?

Q6. In relation to a situation where you faced an ethical dilemma and the ways that you employed to tackle it, how better do you feel equipped to manage a similar/distinct situation based on the topics covered in the unit? How do you think the Indian perspective on values broaden you understanding of ethical issues and how can you cultivate them in your way of life?

Q7. Explain in detail how can the holistic and balanced view of life as described in the purusharthas and the YVK framework assist in alleviating the issues of social entropy rooting from materialism, consumerism and excessive greed? Elaborate with supportive examples and observations.

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## UNIT 11 HUMAN VALUES

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### 11.1 Introduction

### 11.2 Objectives

### 11.3 About Human Values

### 11.4 Nature of Values

### 11.5 Main Features of Values

### 11.6 Values for Managers

### 11.7 Summary

### 11.8 Glossary

### 11.9 Reference/ Bibliography

### 11.10 Suggested Readings

### 11.11 Terminal & Model Questions

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## 11.1 INTRODUCTION

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Values are considered as backbone of human personality. All thoughts, relations, likes and dislikes, perceptions attitudes, emotions and other factors of individual personality and society at large are determined by values. Values are not just figure of speech but very important factor of human psyche. So it is very necessary to understand about values to live a valuable life. Values are responsible to make a person as well as break a person. If a person understand his or her own values as well as the values of others, can be able to understand about the directions of his life.

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## 11.2 OBJECTIVES

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After going through this unit, the learner will be able to:

- Nature of Values
- Main Features of Values
- Values for Managers



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## 11.3 ABOUT HUMAN VALUES

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Students of studying in the same class choose different professions. One may like to pursue tourism sector of finance sector; one may choose politics or defence: or any other sector. Why? Because, their values are different. People watching same movie will experience the movie in different way, If is asked to them later about their experience of movie there will be completely different stories. Because their values are different. People have a specific set of values about what is important for them in life and they will perceive and experience the world according to their values.

Human behavior has direct influence of values. Values validate the behavior and actions.

### **Definition:**

According to businessdictionary.com Values are Important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable. Values have major influence on a person's behavior and attitude and serve as broad guidelines in all situations. Some common business values are fairness, innovation and community involvement.

Oxford Dictionary defines values as “The regard that something is held to deserve; the importance, worth, or usefulness of something”.(*your support is of great value*) and “Principles or standards of behavior; one's judgment of what is important in life” (*they internalize their parents' rules and values*)

According to R.S. Naagarazan, A value is defined as a principle that promotes well-being or prevents harm.” Another definition is: Values are our guidelines for our success—our paradigm about what is acceptable.” Personal values are defined as: “Emotional beliefs in principles regarded as particularly favorable or important for the individual.” Our values associate emotions to our experiences and guide our choices, decisions and actions.

According to Vanapalli Venkata Rao “values refer to a person's principles or standards of behavior; one's judgment of what is important in life. Ethics is a set of rules, almost similar to values but tend to be codified into a recognized system or set of rules which are clearly adopted by a group of people. To behave ethically is to behave in a manner, acceptable to society. A value denotes the importance of determining what action or ideal is best to do or live, Value may be described as treating actions themselves by putting value to them. Value deals with right conduct and good life, in the sense that a highly valuable action may be regarded as ethically "good" and an action of low value may be regarded as ‘bad’.”

### Examples of values-

Courage, determination, perseverance, dedication, love, loyalty, commitment, integrity, honesty, character, reputation, passion, comfort, security, intimacy, accomplishment, growth, health, money, identity, image, satisfaction, contribution, freedom, challenge, creativity & innovation, support, fun, beauty, sacrifice, devotion, flexibility, assertiveness, power, adventure, etc. Value system is the combination of values and it has a hierarchy as per the importance.

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## 11.4 NATURE OF VALUES

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- **VALUES ARE UNEQUAL:**

Everyone is unique; every personality is unique because one in this world has the same value system. There are millions of values but every person establishes different value system in him or her. If a list of few people's values is made, they will not have same set of values.

- **VALUES HAVE UNIQUE HIERARCHY**

Every value has its own unique importance as per the time, place and situation. people use these values to make decisions. What a person will decide to do, depend upon what he values the most at the particular time, place and situation. For example, in one situation person may value personal development and relationship and in other time or situation he may value Working and Finance; and will make decisions accordingly.

- **VALUES GIVE DIRECTIONS TO THE FUTURE:**

Values are the inner compass. People choose the directions of their life which they value the most. The present value system determines the future. If a person values the fame he will decide to do the work which gives more fame and if he values the development of society, he will decide to work for the society. If he values the nation, he will decide to do the work of national importance.

- **Values dictates the perceptions, attitude and beliefs:**

Values dictate how people perceive the world and act upon the world according to these unique values. Every moment of life, people make perceptions of their reality according to their values. If someone value earning money, he will see opportunities for earning money everywhere. If he value family, he will see everywhere what his family is doing. If being social is high on his value list, he will see all possibilities to socialize.

- **VALUES CAN BE CHANGED DURING THE LIFE**

Values are not written in stone. Although values are relatively permanent but they change according to important life events which influence the person a lot. For example, if someone is single, he will highly value finding a partner. If he is in a relationship, bringing the relationship to the next level becomes more important. While money maybe not important when living at the parental house, it becomes a huge problem when someone wants to live on his own.

- **PERFORMING HIGH VALUE ACTIVITIES GIVE SENSE OF IMPORTANCE:-**

If a person has the opportunity to do what is highest on his value list and what he really want to do, he will be more inspired and feel sense of importance.

- **PEOPLE SPONTANEOUSLY FORGET DOING LOW VALUE ACTIVITIES:-**

People remember those things or tasks to which they give value and spontaneously forget the things or tasks which they consider as low value.

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## 11.5 MAIN FEATURES OF VALUES

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We can summarize the main features of the conception of basic values implicit in the writings of many theorists and researchers as follows:

- Values are beliefs. They are beliefs bound to emotion, not objective, cold ideas.
- Values are motivational concept. They are those desirable goals people strive to attain.
- Values exceed specific actions and situations. They are ideal goals.

The conventional nature of values differentiates them from concepts like norms and attitudes, which usually refer to specific actions, objects, or situations.

- Values guide the selection or evaluation of actions, policies, people, and events. That is, values serve as standards or criteria.
- Values are ordered by importance relative to one another. People's values form an ordered system of value priorities that characterize them as individuals. This hierarchical feature of values also distinguishes them from norms and attitudes

Values are based upon perception. People choose values subconsciously in accordance with what they perceive as most meaningful. The path to establish values in subconscious mind is guided by idea, assumption, opinion, beliefs, and convictions and values also influence these factors. Awareness towards own value system can:

- Influence mind and all the components of personality
- Increase the level of reinforcement and motivation
- Improve the acceptability of argument and reasons
- Appeal feelings, emotions and intellect
- Change beliefs
- Change attitudes
- Influence choices
- Improve the acceptability of thought reform and Ideological remolding
- Limit the options that are perceived as acceptable



### *Check Your Progress- A*

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**Q1. What do you mean by Human Values?**

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**Q2. What is the Nature of Values?**

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**Q3. What are the Main Features of Values?**

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## **11.6 VALUES FOR MANAGERS**

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A society is made of not only families which are natural but also by origination which are artificially created to fulfill a specific requirement of the society. The government is one of the most important organizations which had been created to bring order in the society. The government is further divided into different departments like police, revenue, defense etc which are needed to keep the country united and protect it from external aggression. There are many other organizations which are run by private persons or bodies which produce goods and provide service to the people of the nation and the world.

Every person has to join an origination to earn his livelihood and to contribute to the society. These organizations are designed to serve a specialized function of the society and thus need a set of value to keep all members of the organization motivated and united.

Thus man develops a set of values due to his profession. The values of a police official are different than the values of a judge or a politician. Each profession has its own set of values

which often contradict the values of another profession. Yet these values are necessary to keep the professionals united and deliver what is expected from them.

**Values v/s Skills:-** Himadri Barman has differentiated values and skills as follows:-

1. To 'become', we need values. To 'do', we need skills.
2. 'Becoming' (needing values) must precede 'doing' (needing skills). Values should act as the basis of the skills acquired.
3. Values are the means of perfection. Skills must have sound system of values as the base. Otherwise, one can manipulate skills for ulterior motives.
4. Values are internal, dealing with internal development of a person, purifying mind and heart. Skills on the other hand only make a person proficient. Values are the means of perfection of personality.
5. The field of values is governed by union, holism and relatedness. More often than not, skills are used to bring about division, fragmentation and separation.
6. Values bring about excellence and universal good. Skills see us through mechanics of management.
7. Skills are not enduring, values are.
8. Skills change with passage of time. Policy is flexible, principles and values are not. We have permanent fundamental values.

### **Values for Management Processes**

Manager is the professional who make plans, organize the resources, direct his team members, controls the process, perform leadership tasks, makes decisions and solves the problems in any organization. In the organizational set-up managers performs all key tasks. Now we will discuss the values for above mentioned of management process.

**Values for planning:-** Planning is the process to determine future course of action. Planning is always future oriented. So to forecast the future and to achieve the desired goals a good plan is necessary. Planning is the mental process which needs visionary and analytical bent of mind. A manager must understand the subjective as well as objective aspects of mind. While planning keeping the mind alert is the prime requirement of any manager.

To become a good planner manager must have following values:-

1. Care of mind
2. Focus, alertness and concentration
3. Objectivity
4. Determination
5. Time consciousness

## 6. Understanding Vision and Mission of the organization

**Values for Organizing:-** Organization is the group of people formally associate to work for a common goal. It has Hierarchy, authority responsibility relationship, vision, mission, goals, targets, strategy, rules, regulations, and various resources needed to achieve a common goal or it's mission. Organizing also includes staffing (Placing right person at right job)

Manager Must inculcate following values for effective organizing:-

1. Duty Consciousness
2. Control on anger and stress
3. Absence of hatred
4. Efficiency and effectiveness
5. Optimum utilization of resources

**Values for directing:-** This is the prime task of every manager to direct his/her employees towards the right direction. This is crucial task for management. To become a good director manager must understand the importance of following values:-

1. Control on senses
2. Beneficial utterance
3. Exercise power and influence
4. Knowledge update
5. Modesty and harmony
6. Kindness and trust
7. Honesty

**Values for controlling:-** Controlling means reducing the gap between desired outcome or performance and actual outcome or performance. Controlling is the necessary function to execute any plan in the organization. For better controlling following values are necessary:-

1. Understanding others
2. Straight forwardness
3. Truthfulness
4. Idealism
5. Equanimity

**Values for leading:-** Leader is a person who binds people in a group, influence them and motivate them for achievement of a common goal. Leadership qualities are necessary for people management. A manager must have following values so that he can lead his employees in a better way:-

1. Self-Esteem and Self-reliance
2. Sacrifice
3. Compassion and trust
4. Energy and adventure
5. Ideals and Character
6. Intelligence
7. Absence of fault finding

**Values for decision making:-** Many management scientist says that management means decision making. Decision making is the intellectual process to choose the best option among various alternatives. Followings are the key values for better decision making:-

1. Authenticity
2. Eye for detail
3. Autonomy
4. Visualizing the outcome
5. Courage and will power

**Problem solving:-** Problem solving means finding solutions to difficult or complex issues. Problem solving is the process in which the manager defines a problem; determines the cause of the problem; identifies, prioritizes and selects alternatives for a solution; and implements a solution. When a system works manager faces many problems and they have to solve them. Following values are very useful for problem solving.

1. Understanding
2. Empathy
3. Creativity
4. Forgiveness
5. Patience



### Five core values for managers

To achieve success in the management field, Bharatiya scriptures have given clear guidelines. The literature of Vedanta as well as all Neeti Shashtras revolve around following five values:-

1. Control on mind and senses
2. Knowledge
3. Viveka
4. Yoga
5. Swadharma or Duty Consciousness

**Control on mind and senses:-** Western psychologists look at the mind as single phenomenon. They further categorize the mind as conscious mind and subconscious mind. They believe that mind is the soul. The Bharatiya sciences do not believe so. The term *Antahkarana* is used for the whole mind and there are four stages of mental consciousness i.e. unconscious mind, subconscious mind, conscious mind, super-conscious mind. *Antahkarana* has four functions i.e. *Manas*, *Buddhi*, *Chitta*, *Ahamkara*. *Manas* is sensory processing of mind. *Buddhi* is knowing, deciding, judging and discrimination processing of mind. *Chitta* is storing of impressions and contemplating functions of mind. And *Ahamkara* is ego or the sense of I-making or affirmation. Our mind perceives the objects around us through our five senses, namely, sound, touch, sight, taste and smell, aided by the five respective sensory organs the ears, skin, eyes, tongue and nose.

Soul is the master of mind body system. Bharat has given very much emphasis on controlling the mind. Mind is considered as best friend when it is controlled and worst enemy when it is not controlled or it is left free. Mind is a very powerful tool for everybody's success. When it is channelized properly it can do miracles.

Every manager must control his own mind because management is actually art, science and capability to control the minds of others. Manager can control the mind of others only if he/she has the capacity to control his/her own mind. Manager has to control the minds and thoughts of his subordinates, colleagues, bosses and ultimately the customers. Management is managing thoughts and emotions of others. Both are the mental phenomena. Thought is the potent seed for every action as well as whole character.

Controlling the mind is the foremost necessity for character building. Character is the sum total of all tendencies, thoughts, actions and experiences which are accumulated in human beings.

Methods to control the mind:-

1. Concentration and Meditation
2. Having good thoughts
3. Reading good books

4. Living in a good company

5. self-introspection

**Knowledge:-** Knowledge gaining is always emphasized and appreciated in Bharat. Knowledge gaining and memorizing information both are different. Information provides the base for knowledge but information itself is not knowledge. All knowledge either material or spiritual is within us but through continuous efforts we need to discover that knowledge. No knowledge comes from outside Knowledge makes the manager eligible to manage. Knowledge is considered as goal of mankind. Pleasure is not the goal but knowledge. Pleasure and pain are the teachers. Pain is the better teacher than pleasure.

So every manager must focus on the experiences either pleasurable or painful and the knowledge he/she is gaining out of it. Knowledge is dis-covering (removing the cover).

Process of knowledge depends upon *Pramana* or sources of valid knowledge. *Bharatiya* Philosophies have relied upon following *Pramana* for knowledge:-

1. Pratyaksha (perception):- Pratyaksha or Perception implies direct, immediate cognition. There are two kinds of direct perception, external and internal. The 'external' perception implies cognition of sense objects, namely - sound, touch, form, taste and smell by our five sense organs (ears, skin, eyes, tongue and nose). When the sense organs contact their respective objects then the Pratyaksha knowledge takes place. The 'internal' perception means the direct & immediate cognition of pain, pleasure, love, hate, anger, knowledge or ignorance of various objects etc. in & by our minds.
2. Anumana (Inference):- Literally translated the word anumana means 'knowing after'. It means the method by which knowledge is derived from another knowledge. It is an indirect, mediate knowledge. We have knowledge of an invariable relationship between two things and on that basis while seeing one we deduce the presence of the other. Thus anumana refers to the logical process of gaining knowledge. The knowledge thus gained is called inferential knowledge or the logical deduction.
3. Shabda pramana (Verbal testimony):- Sabda pramana is verbal testimony. It is also called 'apta-vakyas' (statement of a trust-worthy person), and agama (authentic word). A verbal statement, uttered or written, is man's most potent instrument for transmitting knowledge. We learn mostly by means of words. An oral or written message is a universal mode of communication. A verbal statement conveying valid knowledge must have an authentic source which must be free from defects. Only a competent person possessed of knowledge can impart accurate knowledge. Such a knowledge needs no verification, unless of course there is doubt about its reliability.
4. Upamana (comparison):- The Mimamsakas & Advaitins define Upamana as the process by which the knowledge of A's similarity to B is gained from the perception of B's similarity to A, which has been seen elsewhere. This methodology is seen as

distinct from mere inference, and is thus accepted as a valid mediate method of knowledge.

5. Arthapatti (Implication):- This means postulation, supposition or presumption of a fact. It is a distinct valid method of mediate knowledge. It is in fact a method of assumption of an unknown fact in order to account for a known fact that is otherwise inexplicable.
6. Anupalabdhi ( Non-apprehension):- The Advaitins and the Mimamsaka school of Kumarila Bhatt believe Anupalabdhi to be a separate independent pramana. It literally means non-apprehension. Non-existence of a thing is apprehended by its non-perception. By not seeing a jar in a place one knows that it is not there. We use this method of knowledge also very often, and this is evident from statements like : ‘There is no teacher in the class-room’, ‘There is no sound here’, ‘This flower has no fragrance’ etc. It may seem paradoxical that non-apprehension of a thing is a means to the apprehension of its non-existence (abhava). But in fact both non-perception as well as perception serve as a means to get various knowledge, for the simple reason that the knower is conscious of both. They lead to positive & negative experiences.

(Source:- <http://www.vmission.org.in/vedanta/articles/pramanas.htm>)

**Viveka:-** Although there is no literal translation of the word ‘*Viveka*’ in English but the term ‘discriminative intelligence’ is mostly used to denote the word ‘*Viveka*’. Viveka is the phenomenon of human mind which discriminates human beings from animals. Viveka is the result of higher level of consciousness. Having knowledge is the function of memory but using that knowledge appropriately is the function of *Viveka*. *Viveka* gives the ability to discriminate between right and wrong, right and right and wrong and wrong or good and between good and bad, good and good or bad and bad. *Viveka* is very important aspect for managerial decision making and forecasting.

According to dictionary of spiritual terms Viveka is "Discrimination, distinction;" in *Sāṃkhya*, the direct, intuitive discrimination of Purusha (*Puruṣa*) from Prakriti (*Prakṛti*); in *Advaita Vedānta*, the distinction between what is eternal and what is non-eternal, *Ātmā* and *Māyā*.

Adiguru Shankaracharya says in Vivek Chudamani “work leads to purification of the mind, not to perception of the Reality. The realisation of Truth is brought about by Viveka and not in the least by ten million of acts. By adequate reasoning the conviction of the reality about the rope is gained, which puts an end to the great fear and misery caused by the snake worked up in the deluded mind.” Further he says “the man who discriminates between the real and the unreal, whose mind is turned away from the unreal, who possesses calmness and the allied virtues, and who is longing for liberation, is alone considered qualified to inquire after knowledge.”

There are five kinds of Viveka:

1. Nityānitya viveka (discrimination between permanent and impermanent)

2. Dvaetádvaeta viveka ((dvaeta means dualistic and advaeta means nondualistic)
3. Atmánátma viveka (conscience and non-consciousness)
4. Panchkosha viveka (the conscience of panchkosha or five layers of existence)
5. Mahavakya viveka (devotion)

### **Yoga:-**

Ministry of Ayush has defined yoga as “a discipline to improve or develop one’s inherent power in a balanced manner. It offers the means to attain complete self-realization. The literal meaning of the Sanskrit word Yoga is 'Yoke'. Yoga can therefore be defined as a means of uniting the individual spirit with the universal spirit of God. According to Maharishi Patanjali, Yoga is the suppression of modifications of the mind.” The term "yoga" derived from the Sanskrit root yuj, which means "to join" or "to yoke".

There are 4 major discipline of yoga, 1. Jyana Yoga or Sankhya Yoga (Yoga through Knowledge), 2. Bhakti Yoga (Yoga through Devotion or Love), 3. Karma Yoga (Yoga through Action), 4. Raja Yoga or Ashtang Yoga or Patanjali Yoga (Yoga through Controlling Psychic Powers). These four are the path to achieve perfection or to connect with universal consciousness.

Mission of yoga is to remove ego because ego is considered as a wall between individual consciousness and universal consciousness. Ego is the obstacle to achieve perfection.

Yoga is the base of Bharatiya culture not Bhoga or consumption. Bhartiya culture believes in addition or joining or connecting not consuming. Yoga is the Bharatiya attitude. A manager must inculcate this attitude in himself/herself by adopting yoga in the value system to selflessly connect himself/herself with his team members, processes, organization, customers and society.

Maharshi Patanjali has given the practice of Ashtang Yoga or eight limbs of Yoga, which are as follows:-

- **Yama** (Principles or moral code)
  - Ahimsa - A principle of non-violence
  - Satya - A principle of Truthfulness
  - Asteya - A principle of non-stealing
  - Brahmacharya - Continence / Celibacy
  - Aparigraha - A principle of non-hoarding or non-possessiveness
- **Niyama** (Personal Disciplines)
  - Shoucha - Purity

- Santosh - Contentment
  - Tapa - Endurance
  - Swadhyaya - Self study
  - Eshwar Pranidhan - Dedication
- 
- Asana (Yoga Positions or Yogic Postures) A stable and comfortable posture which helps attain mental equilibrium.
  - Pranayama (Yogic Breathing) Extension and control of breath.
  - Pratyahara (Withdrawal of Senses) A mental preparation to increase the power of mind.
  - Dharana (Concentration on Object) Concentration of mind on one object and its field.
  - Dhyana (Meditation) With drawing mind from all external objects and Focusing it on one point and meditating on it.
  - Samadhi (Salvation) State of Super bliss, joy and merging individual consciousness in to universal consciousness. Union between Jivatman and Paramatman. Union of Shiva and Shakti in Sahasrar Chakra (the top of the head). Realizing the Bramhan (pure consciousness) or Realization of God is the ultimate achievement of Human Birth.

**Swadharma or Duty Consciousness:-** There is no proper equivalent in English for the Sanskrit term 'Dharma'. It is generally rendered as 'duty', 'righteousness'. Any action that is best deliberate to bring Sreyas (liberation) and Abhyudaya (exaltation) is Dharma. That which brings well-being to human beings is Dharma. The word Dharma comes from the root 'Dhri' which means 'to support' or 'to hold on'. That which upholds is Dharma. By Dharma people are upheld. As it supports and holds together it is called Dharma. That which secures preservation of being is Dharma. 'Svadharma' means one's own prescribed duty in accordance with the position he/she holds and order of life, which are founded according to the Gunas or qualities born of the nature of man.

So a manager performs his/her duty selflessly with complete dedication.

Nature has following three gunas or qualities:-

**Satvik:-** Sattva is the quality of intelligence, virtue and goodness and creates harmony, balance and stability. It is light (not heavy) and luminous in nature. It possesses an inward and upward motion and brings about the awakening of the soul. Sattva provides happiness and contentment of a lasting nature. It is the principle of clarity, wideness and peace, the force of love that unites all things together.

**Rajsik:-** Rajas is the quality of change, activity, and turbulence. It introduces a disequilibrium that upsets an existing balance. Rajas is motivated in its action, ever seeking a goal or an end

that gives it power. It possesses outward motion and causes self seeking action that leads to fragmentation and disintegration. While in the short term Rajas is stimulating and provides pleasure, owing to its unbalanced nature it quickly results in pain and suffering. It is the force of passion that causes distress and conflict.

Tamsik:- Tamas is the quality of dullness, darkness, and inertia and is heavy, veiling or obstructing in its action. It functions as the force of gravity that retards things and holds them in specific limited forms. It possesses a downward motion that causes decay and disintegration. Tamas brings about ignorance and delusion in the mind and promotes insensitivity, sleep and loss of awareness. It is the principle of materiality or unconsciousness that causes consciousness to become veiled.

The karmas are influenced by these three gunas. People act as per the guna prevails.

**Values and Motivation:-** Motivation is the inner force which pushes or compels a person for goal achievement. Motivation can be triggered from outside or can be inside but always towards value fulfilment which is called pleasurable state or away from the hurt on value system which is also called painful state. So if there is no value satisfaction there will not be any motivation. People feel high level of motivation when they perform highly valued task. Maintaining motivation is the big challenge for every manager so a manager must have the ability to understand the value system of his employees as well as his superiors and to keep doing those things by which the employees values can be satisfied. Every employee has unique and different value system so managers should focus on the common values first and then different values of the employees. He should also make strategy by which the values of employees can become complimentary to the organizational values and *vice-versa*.

Antony Robins has described following needs of employees which are to be satisfied by the managers to motivate the employees.

**Certainty** Also called: **Security, Comfort, Safety, Control, Stability & Predictability**

- ⤴ This need is simply about achieving order & control in life
- ⤴ Knowing we can be comfortable to have pleasure and avoid pain
- ⤴ Main function is to ensure an element of security, and it is manifested in safety and physical comfort
- ⤴ Those of us with a deep need for certainty do our best to avoid chaos and the unexpected

**Uncertainty** Also called: **Adventure, Variety, Surprise, Novelty or Challenge**

- ⤴ It is a physical & emotional need that encourages us to bring the new, the unknown and sometimes disorder into our lives
- ⤴ Everyone needs some variety in life. Our bodies, our minds and our emotional well-being all require uncertainty

^ Just as a sense of security is reassuring, so the excitement that comes from variety is necessary to feel alive

^ Those of us with a deep need for uncertainty do our best to do new things and keep variety in all areas of our lives

### **Significance** Also called: **Recognition, Pride, Validation & Uniqueness**

^ Every person needs to feel special, important, needed & wanted.

^ To satisfy this need people find ways to feel unique or special and prove their self-worth

^ In its positive aspect, significance leads us to raise our standards, but if we are overly focused on significance, we will have trouble truly connecting with others

### **Connection/Love** Also called: **Love, Unified, Communication & Approval**

^ Connection is represented by the human desire to communicate with, relate to and receive love from those around us.

^ Everyone needs connection with other human beings

^ We are all motivated to share and develop relationships with people to meet this need in our lives.

^ Those of us with a deep need for Connection will make different decision to those who favor Significance and often decision can be based on connecting and being around others.

### **Growth** –

- Through personal development, knowledge and learning people fulfill the need for growth in our lives.
- This core need is what drives people to mature and evolve as human beings. Think about it anything that you want to remain in your life – your money, your health, your relationship, your happiness, love – must be cultivated, developed and expanded.
- People need to constantly develop emotionally, intellectually and spiritually to have a sense of fulfilment.
- Growth will expand the skills, awareness and ability to help others, however the most powerful growth is in relation to contribution.
- **Everything is either green & growing or ripe & rotting.**

### **Contribution**–

- People share the need for Contribution, it is manifested in the desire to serve those around them and give love rather than simply receiving it.
- Contribution is about sharing what people have with others as we all desire to go beyond their own needs and give to others.



- It really is in the nature of human beings to want to give back, to leave a mark on the world.
- Giving to others may mean giving time to community service, making a charitable donation, planting trees, writing a book, or giving to one's children, family or friends.
- **Everything in the universe contributes beyond itself, or it is eliminated.**

### Values for Morale

Morale is group cohesiveness or team spirit. This is the feeling of person to associate with the group and be with group. As motivation, morale is also very essential to strengthen the group. Schwartz details the following derivations of the ten basic values of group survival:-

1. **Self-Direction.** Independent thought and action; choosing, creating, exploring.
2. **Stimulation.** Excitement, novelty, and challenge in life.
3. **Hedonism.** Pleasure and sensuous gratification for oneself.
4. **Achievement.** Personal success through demonstrating competence according to social standards.
5. **Power.** Social status and prestige, control or dominance over people and resources.
6. **Security.** Safety, harmony, and stability of society, of relationships, and of self.
7. **Conformity.** Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms.
8. **Tradition.** Respect, commitment, and acceptance of the customs and ideas that traditional culture or religion provide the self.
9. **Benevolence.** Preserving and enhancing the welfare of those with whom one is in frequent personal contact (the 'in-group').
10. **Universalism.** Understanding, appreciation, tolerance, and protection for the welfare of all people and for nature.

### Values and Organizational Culture:-

Organizational culture encompasses values and behaviors that "contribute to the unique social and psychological environment of an organization". According to Needle, organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, strategy, type of employees, management style, and national culture; culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits.

According to Mintzberg, 'Culture is the soul of the organization-beliefs and values and how they are manifested. I think of the structure as the skeleton, and as the flesh and blood. And culture is the soul that holds the things together and gives it life force'.

OCTAPACE values are highly appreciated in management field for effective organizational culture. OCTAPACE was developed by Professor T V Rao. It stands for Openness, Confrontation, Trust, Authenticity, Pro-action, Autonomy, Collaboration and Experimentation.

These values help in fostering a climate of continuous development of employees in an organization. An optimal level of these values is essential for facilitating HRD. The elements of OCTAPACE are as follows:

- Openness: An environment where employees feel free to express their ideas.
- Confrontation: Employees face the problems and work jointly with others concerned to find its solution. They face the issues squarely without hiding them or avoiding them for fear of hurting each other.
- Trust: The extent to which employees individually and in groups trust each other and can be relied upon and includes the maintaining of confidentiality about information shared and its use
- Authenticity: The willingness of a person to acknowledge the feelings he/she has, and to accept him/her as well as others who relate to him/her as persons.
- Pro-action: Employees are action-oriented, willing to take initiative and to show a high degree of pro-activity. They anticipate the issues and act or respond to the needs of the future. Pro-action refers to the degree with which employees anticipate the issues and respond to the concerns at hand and those that is in the future.
- Autonomy: The willingness to use power without fear, and helping others to do the have freedom to act independently within the boundaries imposed by their role/job.
- Collaboration: This involves working together and the strength of team for to achieve common goal.
- Experimentation: This involves emphasis given to innovation and trying out new ways of dealing with the problems in the organization and the willingness of the organization to take risks and to experiment with new ideas and new ways of doing things.

### **Theory of Panchakosha for Human Resource Development**

*Taittiriya Upanishad* has stated the concept of *Panch Koshas* and their development. It says that , our existence has following 5 layers or sheaths called *Koshas*.

- i. Annamaya Kosha- The gross body
- ii. Pranamaya Kosha- The subtler body made of pranic energy or vital sheath
- iii. Manomaya Kosha- The mental sheath
- iv. Vijnanamaya Kosha- The imagination, memory, knowledge, insight and understanding.
- v. Anandmaya Kosha- The creativity, joy and bliss.

***Annamaya Kosha:-*** ‘Anna’ means food. This sheath is our physical body and is the densest of all the koshas. It includes our bones and also the tissues which make up our muscles and organs. It is the lowest vibration of ourselves. Here, energy is solidified into matter and it is made of the five elements, of which the earth element is the dominant one. It is called the food layer because it is created by the food that we eat. It is the structure that contains both the prana and the consciousness. If one gets ‘stuck’ into this layer, then one becomes over obsessive about form. Healthy food is the basic requirement for better development of human resources. If employees will eat proper nutrients and proper diet their performance will also be good. Exercise is also necessary for keeping body healthy and active. Yogasanas are very useful for proper care of body.

***Pranamaya Kosha:-*** The Pancha-Pranas are corresponding to the five physiological systems described in Ayurveda, These activities which support the body take place as a result of the air that we breathe in. Hence it is termed the Vital Sheath. The five Pranas comprising this sheath include the i) Prana (The Faculty of Perception): It controls the perceptions of the five fold stimuli received from the external environment through the five sense organs. ii) Apana (The Faculty of Excretion), All things thrown out of body or rejected by the body such as septum, perspiration, urine, faeces, etc. are expressions of Apana. iii) Samana (The Faculty of Digestion): Digests the food collected in the stomach. iv) Vyana (The Faculty of Circulation): The power by which the nutrients resulting from the digested food are properly conveyed to the various limbs of the body through the blood stream. v) Udana (The Faculty of Thinking): The capacity in an individual to raise his thoughts from their present level so as to conceive a possibility of or appreciate a new principle or idea-the capacity of self-education. *Parnayama* can be used to channelize the pranic energy in proper way.

***Manomaya Kosha:-*** Manomaya Kosha is that layer of our personality which is called as mind. We have what is called as an Antahkarana (inner instrument). This broadly has two parts - the mind and the intellect. Mind is basically the thoughts layer of our personality. They could be any thoughts. Thoughts prompted by memories, conditioning of either likes or dislikes, various emotions or even wisdom. Thought is that because of which we are 'conscious of something'. This awareness of something or anything is a thought, and in the mind we have thoughts of various things continuously flowing. Thoughts which are as per our likes invoke positive feelings, while thoughts pertaining to our dislikes invoke negative emotions. Pratyahar or sense withdrawal exercises are very useful for the development of manomaya kosha.

***Vijnanmaya Kosha:-*** The Vijnanamaya kosha is the sheath of the intellect (buddhi) and intuitive knowledge/wisdom. Intellect gives the discriminative capability that helps her differentiate between good and evil, between right and wrong etc. The intellect can be looked upon as having two components, one that is controlled by ego and driven by past memories and impressions (samskaras) and the other which is controlled by pure intuition. The ego-driven intellect can lead to actions which result in pain and suffering while actions driven by pure intuition will give satisfaction and happiness. Through the practices of meditation etc,

mind becomes purified and the intellect can then begin to depend more and more on the pure intuitive wisdom rather than be influenced by the ego.

**Anandmaya Kosha:-** The Sanskrit word "ananda" means bliss or pure joy. When we can transcend the other four layers described above, we can begin to experience a sense of pure joy which does not need any sensory input or any of the past experiences or impressions. This layer is the closest to our true "self" which is ever pure and ever-unchanging. Living truthful life, duty consciousness, honesty and helping others selflessly improves this sheath. Meditation and practice of non-attachment to any object gives the *ananda*.

#### Four Purusharthas for living the life

Bharatiya Scriptures have described four Purusharthas viz. Dharma, Artha, Kama and Moksha. Dharma is performing ordained duties, Artha means earning the wealth and becoming rich, Kama means sense gratification and enjoying the life fully and Moksha means non-attachment to previous three, not having any bindings and complete liberation.



#### Check Your Progress- B

### Value Awareness Exercise

Answer the following questions:-

**Q1. How do you fill your space? What are the themes you see if you look at the different places where you spend most of your time?**

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**Q2. How do you spend your time?**

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**Q3. How do you spend your energy?**

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**Q4. How do you spend your money? In what do invest your money?**

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**Q5. Where are you the most organized? Where do you demonstrate the most order?**

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**Q6. Where are you the most disciplined? Where are you the most reliable and focused?**

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**Q7. What do you think about the most? What thoughts keep following you everywhere you go?**

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**Q8. What do you visualize? What do you daydream about?**

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**Q9. What do you talk about with yourself? What do you dialogue about with yourself?**

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**Q10. What do you talk about with others?**

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**Q11. What does inspire you? What makes you smile or frown?**

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**Q12. What goals do you set for yourself?**

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## **11.7 SUMMARY**

The core elements of a profession are possession of a specialized body of knowledge and commitment to service. The Oxford English Dictionary defines a “profession” as, “The occupation which one professes to be skilled in and to follow. a) a vocation in which professed knowledge of some department of learning or science is used in its application to the affairs of others or in the practice of an art founded upon it, b) in a wider sense any calling or occupation by which a person habitually earns his living.” The word “professes” represents a public commitment to a set of values. Non-commitment to organizational values or professional values are called indiscipline. Values play a vital role for increasing efficiency and effectiveness in the organization. Management effectiveness can be measured by results. Goals such as increasing market share, improving customer satisfaction ratings and achieving desired revenue levels come under the heading of management effectiveness. Management decisions that promote efficiency tend to be aimed at optimum utilization of resources. Any action taken to reduce inventory waste, is a strategic management decision aimed at greater efficiency. Efforts to increase productivity is included in this concept. So managers should be committed to their professional values as well as efficiency and effectiveness.




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## 11.8 GLOSSARY

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**Yoga** as “a discipline to improve or develop one’s inherent power in a balanced manner. It offers the means to attain complete self-realization.

**Sattva** is the quality of intelligence, virtue and goodness and creates harmony, balance and stability. It is light (not heavy) and luminous in nature. It possesses an inward and upward motion and brings about the awakening of the soul.

**Achievement-** Personal success through demonstrating competence according to social standards.

**Power-** Social status and prestige, control or dominance over people and resources.

**Security-** Safety, harmony, and stability of society, of relationships, and of self.

**Conformity-** Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms.




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3. S.K. Bhatia - Business Ethics and Managerial Values (Deep & Deep Publications Pvt.Ltd, 2000)
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11. Values and Ethics for Organizations, Chakraborty, OUP/OIP

Perspectives in Business Ethics, Hartman, Chatterjee



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## 11.11 TERMINAL QUESTIONS

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Q1. What do you mean by Human Values?

Q2. Write a note on Values and Organizational Culture.

Q3. What do you mean by Swadharma or Duty Consciousness.

Q4. What is the theory of Panchakosha for Human Resource Development.



ISBN: 978-93-85740-20-6



MS-203-2(002863)

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MS-203 (PART-II)

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**Block III Corporate Governance**

**Block IV Issues in Business Ethics and Corporate  
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## Business Ethics & Corporate Governance



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### Cover Design

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Cover Page Image &  
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Original Image:  
<https://www.picpedia.org/chalkboard/b/business-ethics.html>  
Last accessed 3/2/2021

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**ISBN : 978-93-85740-20-6**  
**Copyright : Uttarakhand Open University**  
**Edition : 2020 (Restricted Circulation)**

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**Published by : Uttarakhand Open University, Haldwani, Nainital – 263139**  
**Printed at : Saharanpur Electric Press, Bomanji Road, Saharanpur**  
**Printed Year : 2023**

# **Course Contents**

**Course Name: Business Ethics & Corporate Governance**

**Course Code-MS 203**

**Course Objective:** This paper aims at providing the students the understanding of ethical issues related to business and good governance necessary for long term survival of business.

## **Block I Business Ethics**

**Unit I Business Ethics: Nature and Scope**

**Unit II Ethics & Moral Standards**

**Unit III Ethics and Business System**

**Unit IV Personal Growth and Lessons from Ancient Indian Educational System**

**Unit V Indian Ethos: Need, Purpose & Relevance**

**Unit VI Holistic Approach for Managers in Decision Making**

## **Block II Values for Managers**

**Unit VII Values Impact in Business and Indian Value System-Trusteeship**

**Unit VIII Values and Teachings from Indian Scriptures -I**

**Unit IX Values and Teaching from Indian Scriptures -II**

**Unit X Trans-Cultural Human Values in Management Education**

**Unit XI Human Values**

## **Block III Corporate Governance**

**Unit XII Corporate Governance and Code of Corporate Practices**

**Unit XIII Social Responsibility of Corporate**

**Unit XIV Corporate Governance System-Main Regulations**

**Unit XV Corporate Governance and Professional Ethics**

## **Block IV Issues in Business Ethics and Corporate Governance**

**Unit XVI Ethical Issues related to Advertisements, Finance, Investment and Technology**

**Unit XVII Gandhian Approach in Management**

**Unit XVIII Balanced Global Environment**



## Unit XIX Problems Relating to Stress in Corporate Management and Protection of Stakeholders

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1. S.S. Iyer - Managing for Value (New Age International Publishers, 2002)
2. Laura P Hartman Abha Chatterjee - Business Ethics (Tata McGraw Hill, 2007)
3. S.K. Bhatia - Business Ethics and Managerial Values (Deep & Deep Publications Pvt.Ltd, 2000)
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## Index

Unit Number	Title	Page Number
<b><i>Block I Business Ethics</i></b>		
1.	<b>Unit I Business Ethics: Nature and Scope</b>	<b>1-24</b>
2.	<b>Unit II Ethics &amp; Moral Standards</b>	<b>25-47</b>
3.	<b>Unit III Ethics and Business System</b>	<b>48-62</b>
4.	<b>Unit IV Personal Growth and Lessons from Ancient Indian Educational System</b>	<b>63-80</b>
5.	<b>Unit V Indian Ethos: Need, Purpose &amp; Relevance</b>	<b>81-101</b>
6.	<b>Unit VI Holistic Approach for Managers in Decision Making</b>	<b>102-122</b>
<b><i>Block II Values for Managers</i></b>		
7.	<b>Unit VII Values Impact in Business and Indian Value System- Trusteeship</b>	<b>123-142</b>
8.	<b>Unit VIII Values and Teachings from Indian Scriptures -I</b>	<b>143-169</b>
9.	<b>Unit IX Values and Teaching from Indian Scriptures -II</b>	<b>170-201</b>
10.	<b>Unit X Trans-Cultural Human Values in Management Education</b>	<b>202-219</b>
11.	<b>Unit XI Human Values</b>	<b>220-243</b>
<b><i>Block III Corporate Governance</i></b>		
12.	<b>Unit XII Corporate Governance and Code of Corporate Practices</b>	<b>244-258</b>
13.	<b>Unit XIII Social Responsibility of Corporate</b>	<b>259-276</b>
14.	<b>Unit XIV Corporate Governance System-Main Regulations</b>	<b>277-288</b>
15.	<b>Unit XV Corporate Governance and Professional Ethics</b>	<b>289-302</b>
<b><i>Block IV Issues in Business Ethics and Corporate Governance</i></b>		
16.	<b>Unit XVI Ethical Issues related to Advertisements, Finance, Investment and Technology</b>	<b>303-323</b>
17.	<b>Unit XVII Gandhian Approach in Management</b>	<b>324-339</b>

18.	<b>Unit XVIII Balanced Global Environment</b>	<b>340-352</b>
19.	<b>Unit XIX Problems Relating to Stress in Corporate Management and Protection of Stakeholders</b>	<b>353-371</b>

## **Block III**

# **Corporate Governance**

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## **UNIT 12 CORPORATE GOVERNANCE AND CODE OF CORPORATE PRACTICES**

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### **12.1 Introduction**

### **12.2 Objectives**

### **12.3 Meaning and Significance of Code of Corporate Practices**

### **12.4 Need for code of corporate practices**

### **12.5 Good and Bad Corporate Governance**

### **12.6 Principles of Corporate Governance**

### **12.7 Summary**

### **12.8 Glossary**

### **12.9 Reference/ Bibliography**

### **12.10 Suggested Readings**

### **12.11 Terminal & Model Questions**

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## **12.1 INTRODUCTION**

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In this unit, you will study about corporate governance and the code of corporate practices.. The concepts related to corporate practices and governance will be examined. The role of Corporate Governance in implementing a strategy to ensure optimal utilization of available resources in the interest of stakeholders is a challenge that needs to be addressed efficiently and effectively. The corporate governance framework includes explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards, procedures for reconciling conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and procedures for proper supervision, control, and information-flows to serve as a system of checks and balances. Corporations now play an increasingly critical role in the national economy. A nation's competitiveness and wealth, for that reason, depend on the competitive nature of its corporations. No doubt a transparent and reasonable governance structure bears positive impact on a company. Moreover, the issue of corporate governance structure now commands attention on the global stage.

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## 12.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the concepts related to corporate governance
- Understand the importance of governance in the implementation of strategy.
- Learn how corporate governance serves the interests of stakeholders.
- Learn about corporate governance in India.
- Understand the meaning and significance of code of practices.

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## 12.3 MEANING AND SIGNIFICANCE OF CODE OF CORPORATE PRACTICES

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Code of corporate practices refers to a set of rules, guidelines, values, principles and standards that serve to facilitate the decision making process in an organization with a view to balance the interests of it's stakeholders in a prudent manner. The code is not intended as a strict model of good governance practices, but rather as a reference resource for reflection and application on a case-by-case basis, always taking into account the regulatory framework (compulsory and optional) to which the organization is submitted.

A well established code of conduct is intended to promote:

- (a) **Transparency:** Business transparency is the key to promoting shareholder trust. Financial records, earnings reports and forward guidance should all be clearly stated without exaggeration or "creative" accounting.
- (b) **Fairness:** Ethical behavior violations in favor of higher profits can cause massive civil and legal problems down the road. Underpaying and abusing outsourced employees or skirting around lax environmental regulations can come back and bite the company hard if ignored. A code of conduct regarding ethical decisions should be established for all members of the board.

Small shareholders with little impact on the stock price are brushed aside to make way for the interests of majority shareholders and the executive board. Good corporate governance seeks to make sure that all shareholders get a voice at general meetings and are allowed to participate.

Stakeholder interests should also be recognized by corporate governance. In particular, taking the time to address non-shareholder stakeholders can help your company establish a positive relationship with the community and the press.

- ( c) **Accountability:** Board responsibilities must be clearly outlined to majority shareholders. All board members must be on the same page and share a similar vision for the future of the company.

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## 12.4 NEED FOR CODE OF CORPORATE PRACTICES

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The need for corporate governance can be understood with the help of the following:

1. **Changing Ownership Structure** : In recent years, the ownership structure of companies has changed a lot. Public financial institutions, mutual funds, etc. are the single largest shareholder in most of the large companies. So, they have effective control on the management of the companies. They force the management to use corporate governance. That is, they put pressure on the management to become more efficient, transparent, accountable, etc. They also ask the management to make consumer-friendly policies, to protect all social groups and to protect the environment. So, the changing ownership structure has resulted in corporate governance.
2. **Importance of Social Responsibility** : Today, social responsibility is given a lot of importance. The Board of Directors have to protect the rights of the customers, employees, shareholders, suppliers, local communities, etc. This is possible only if they use corporate governance.
3. **Growing Number of Scams** : In recent years, many scams, frauds and corrupt practices have taken place. Misuse and misappropriation of public money are happening everyday in India and worldwide. It is happening in the stock market, banks, financial institutions, companies and government offices. In order to avoid these scams and financial irregularities, many companies have started corporate governance.
4. **Wide Spread of Indifference on the part of Shareholders** : In general, shareholders are inactive in the management of their companies. They only attend the Annual general meeting. Postal ballot is still absent in India. Proxies are not allowed to speak in the meetings. Shareholders associations are not strong. Therefore, directors misuse their power for their own benefits. Today a company has a very large number of shareholders spread all over the nation and even the world; and a majority of shareholders being unorganised and having an indifferent attitude towards corporate affairs. The idea of shareholders' democracy remains confined only to the law and the Articles of Association; which requires a practical implementation through a code of conduct of corporate governance.
5. **Globalisation** : Today most big companies are selling their goods in the global market. So, they have to attract foreign investor and foreign customers. They also have to follow foreign rules and regulations. All this requires corporate governance. Without Corporate governance, it is impossible to enter, survive and succeed the global market.
6. **Takeovers and Mergers** : Today, there are many takeovers and mergers in the business world. Corporate governance is required to protect the interest of all the parties during takeovers and mergers.
7. **SEBI** : has made corporate governance compulsory for certain companies. This is done to protect the interest of the investors and other stakeholders.



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## 12.5 GOOD AND BAD CORPORATE GOVERNANCE

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Bad corporate governance can tarnish a company's reliability, integrity or obligation to shareholders. Tolerance or support of illegal activities can create scandals like the one that rocked Volkswagen AG in 2015. Companies that do not cooperate sufficiently with auditors or do not select auditors with the appropriate scale can publish spurious or noncompliant financial results. Bad executive compensation packages fail to create optimal incentive for corporate officers. Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents. Corporate governance became a pressing issue following the 2002 introduction of the Sarbanes-Oxley Act in the United States, which was ushered in to restore public confidence in companies and markets after accounting fraud bankrupted high-profile companies such as Enron and WorldCom.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most companies strive to have a high level of corporate governance. For many shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices.

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## 12.6 PRINCIPLES OF CORPORATE GOVERNANCE

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The following is a series of corporate governance principles for public companies, their board of directors and their shareholders. These principles are intended to provide a fundamental framework for secure, long-term oriented governance. But given the differences among the many public companies in any nation– including their size, their products and services, their history and their leadership – not each principle will work for every company, and not every principle will be applied in the same fashion by all companies.

### I. Board of Directors – Composition and Internal Governance

#### a. Composition

- Directors' loyalty should be to the shareholders and the company. A board must not be beholden to the CEO or management. A significant majority of the board should be independent under the New York Stock Exchange rules or similar standards.
- All directors must have high integrity and the appropriate competence to represent the interests of all shareholders in achieving the long-term success of their company. Ideally, in order to facilitate engaged and informed oversight of the company and the performance of its management, a subset of directors will have professional experiences directly related to the company's business. At the same time, however, it is important to recognize that some of the best ideas, insights and contributions can come from directors whose professional experiences are not directly related to the company's business.

- Directors should be strong and steadfast, independent of mind and willing to challenge constructively but not be divisive or self-serving. Collaboration and collegiality also are critical for a healthy, functioning board.
- Directors should be business savvy, be shareholder oriented and have a genuine passion for their company.
- Directors should have complementary and diverse skill sets, backgrounds and experiences. Diversity along multiple dimensions is critical to a high-functioning board. Director candidates should be drawn from a rigorously diverse pool.
- While no one size fits all – boards need to be large enough to allow for a variety of perspectives, as well as to manage required board processes – they generally should be as small as practicable so as to promote an open dialogue among directors.
- Directors need to commit substantial time and energy to the role. Therefore, a board should assess the ability of its members to maintain appropriate focus and not be distracted by competing responsibilities. In so doing, the board should carefully consider a director's service on multiple boards and other commitments.
- Directors should be elected by a majority of the votes cast “for” and “against/withhold” (i.e., abstentions and non-votes should not be counted for this purpose).

### **Nominating directors**

- Long-term shareholders should recommend potential directors if they know the individuals well and believe they would be additive to the board.
- A company is more likely to attract and retain strong directors if the board focuses on big-picture issues and can delegate other matters to management (see below at II.b., “Board of Directors’ Responsibilities/Critical activities of the board; setting the agenda”). d. Director compensation and stock ownership
  - A company’s independent directors should be fairly and equally compensated for board service, although (i) lead independent directors and committee chairs may receive additional compensation and (ii) committee service fees may vary. If directors receive any additional compensation from the company that is not related to their service as a board member, such activity should be disclosed and explained.
- Companies should consider paying a substantial portion (e.g., for some companies, as much as 50% or more) of director compensation in stock, performance stock units or similar equity-like instruments. Companies also should consider requiring directors to retain a significant portion of their equity compensation for the duration of their tenure to further directors’ economic alignment with the longterm performance of the company. e. Board committee structure and service
  - Companies should conduct a thorough and robust orientation program for their new directors, including background on the industry and the competitive landscape in which the company operates the company’s business, its operations, and important legal and regulatory issues, etc.

- A board should have a well-developed committee structure with clearly understood responsibilities. Disclosures to shareholders should describe the structure and function of each board committee.
- Boards should consider periodic rotation of board leadership roles (i.e., committee chairs and the lead independent director), balancing the benefits of rotation against the benefits of continuity, experience and expertise.

### **Director tenure and retirement age**

- It is essential that a company attract and retain strong, experienced and knowledgeable board members.
- Some boards have rules around maximum length of service and mandatory retirement age for directors; others have such rules but permit exceptions; and still others have no such rules at all. Whatever the case, companies should clearly articulate their approach on term limits and retirement age. And insofar as a board permits exceptions, the board should explain (ordinarily in the company's proxy statement) why a particular exception was warranted in the context of the board's assessment of its performance and composition.
- Board refreshment should always be considered in order to ensure that the board's skill set and perspectives remain sufficiently current and broad in dealing with fastchanging business dynamics. But the importance of fresh thinking and new perspectives should be tempered with the understanding that age and experience often bring wisdom, judgment and knowledge.

### **Director effectiveness**

- Boards should have a robust process to evaluate themselves on a regular basis, led by the non-executive chair, lead independent director or appropriate committee chair. The board should have the fortitude to replace ineffective directors.

### **Director communication with third parties**

- Robust communication of a board's thinking to the company's shareholders is important. There are multiple ways of going about it. For example, companies may wish to designate certain directors – as and when appropriate and in coordination with management – to communicate directly with shareholders on governance and key shareholder issues, such as CEO compensation. Directors who communicate directly with shareholders ideally will be experienced in such matters.
  - Directors should speak with the media about the company only if authorized by the board and in accordance with company policy.
  - In addition, the CEO should actively engage on corporate governance and key shareholder issues (other than the CEO's own compensation) when meeting with shareholders.
- b. Critical activities of the board; setting the agenda

- The full board (including, where appropriate, through the non-executive chair or lead independent director) should have input into the setting of the board agenda.



*Check Your Progress- A*

**Q1. What is meant by the term “corporate governance?”**

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**Q2. State and explain 5 reasons why corporate governance is needed.**

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**Q3. Give an example of bad corporate governance.**

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**Q4. Why is board refreshment important for an organization?**

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**Q5. Why is dual class voting not considered a good practice?**

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**Q6. What are the responsibilities of a lead independent director?**

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**COMMONSENSE PRINCIPLES OF CORPORATE GOVERNANCE**

- Over the course of the year, the agenda should include and focus on the following items, among others:
  - A robust, forward-looking discussion of the business.
  - The performance of the current CEO and other key members of management and succession planning for each of them. One of the board's most important jobs is making sure the company has the right CEO. If the company does not have the appropriate CEO, the board should act promptly to address the issue.
  - Creation of shareholder value, with a focus on the long term. This means encouraging the sort of long-term thinking owners of a private company might bring to their strategic discussions, including investments that may not pay off in the short run.
  - Major strategic issues (including material mergers and acquisitions and major capital commitments) and long-term strategy, including thorough consideration of operational and financial plans, quantitative and qualitative key performance indicators, and assessment of organic and inorganic growth, among others.

- The board should receive a balanced assessment on strategic fit, risks and valuation in connection with material mergers and acquisitions. The board should consider establishing an ad hoc Transaction Committee if significant board time is otherwise required to consider a material merger or acquisition. If the company's stock is to be used in such a transaction, the board should carefully assess the company's valuation relative to the valuation implied in the acquisition. The objective is to properly evaluate the value of what you are giving vs. the value of what you are getting.
- Significant risks, including reputational risks. The board should not be reflexively risk averse; it should seek the proper calibration of risk and reward as it focuses on the long-term interests of the company's shareholders.
- Standards of performance, including the maintaining and strengthening of the company's culture and values.
- Material corporate responsibility matters. ∞ Shareholder proposals and key shareholder concerns.
- The board (or appropriate board committee) should determine the best approach to compensate management, taking into account all the factors it deems appropriate, including corporate and individual performance and

#### **Other qualitative and quantitative factors**

- A board should be continually educated on the company and its industry. If a Board feels it would be productive, outside experts and advisors should be brought in to inform directors on issues and events affecting the company.
- The board should minimize the amount of time it spends on frivolous or nonessential matters – the goal is to provide perspective and make decisions to build real value for the company and its shareholders.
- As authorized and coordinated by the board, directors should have unfettered access to management, including those below the CEO's direct reports.
- At each meeting, to ensure open and free discussion, the board should meet in executive session without the CEO or other members of management. The independent directors should ensure that they have enough time to do this properly.
- The board (or appropriate board committee) should discuss and approve the CEO's compensation.
- In addition to its other responsibilities, the Audit Committee should focus on whether the company's financial statements would be prepared or disclosed in a materially different manner if the external auditor itself were solely responsible for their preparation.

#### **Shareholder Rights**

- a. Many public companies and asset managers have recently reviewed their approach to proxy access. Others have not yet undertaken such a review or may have one under way. Among the larger market capitalization companies that have adopted proxy access provisions,

generally a shareholder (or group of up to 20 shareholders) who has continuously held a minimum of 3% of the company's outstanding shares for three years is eligible to include on the company's proxy statement nominees for a minimum of 20% (and, in some cases, 25%) of the company's board seats. Generally, only shares in which the shareholder has full, unhedged economic interest count toward satisfaction of the ownership/holding period requirements. A higher threshold of ownership (e.g., 5%) often has been adopted for smaller market capitalization companies (e.g., less than \$2 billion).

b. Dual class voting is not a best practice. If a company has dual class voting, which sometimes is intended to protect the company from short-term behavior, the company should consider having specific sunset provisions based upon time or a triggering event, which eliminate dual class voting. In addition, all shareholders should be treated equally in any corporate transaction. Written consent and special meeting provisions can be important mechanisms for shareholder action. Where they are adopted, there should be a reasonable minimum amount of outstanding shares required in order to prevent a small minority of shareholders from being able to abuse the rights or waste corporate time and resources.

### **Public Reporting**

a. Transparency around quarterly financial results is important.

b. Companies should frame their required quarterly reporting in the broader context of their articulated strategy and provide an outlook, as appropriate, for trends and metrics that reflect progress (or not) on long-term goals. A company should not feel obligated to provide earnings guidance – and should determine whether providing earnings guidance for the company's shareholders does more harm than good. If a company does provide earnings guidance, the company should be realistic and avoid inflated projections. Making short-term decisions to beat guidance (or any performance benchmark) is likely to be value destructive in the long run.

c. As appropriate, long-term goals should be disclosed and explained in a specific and measurable way.

d. A company should take a long-term strategic view, as though the company were private, and explain clearly to shareholders how material decisions and actions are consistent with that view.

e. Companies should explain when and why they are undertaking material mergers or acquisitions or major capital commitments.

f. Companies are required to report their results in accordance with Generally Accepted Accounting Principles ("GAAP"). While it is acceptable in certain instances to use non-GAAP measures to explain and clarify results for shareholders, such measures should be sensible and should not be used to obscure GAAP results. In this regard, it is important to note that all compensation, including equity compensation, is plainly a cost of doing business and should be reflected in any non-GAAP measurement of earnings in precisely the same manner it is reflected in GAAP earnings.



**Board Leadership (Including the Lead Independent Director's Role)**

a. The board's independent directors should decide, based upon the circumstances at the time, whether it is appropriate for the company to have separate or combined chair and CEO roles. The board should explain clearly (ordinarily in the company's proxy statement) to shareholders why it has separated or combined the roles.

b. If a board decides to combine the chair and CEO roles, it is critical that the board has in place a strong designated lead independent director and governance structure. Depending on the circumstances, a lead independent director's responsibilities may include:

- Serving as liaison between the chair and the independent directors
- Presiding over meetings of the board at which the chair is not present, including executive sessions of the independent directors
- Ensuring that the board has proper input into meeting agendas for, and information sent to, the board
- Having the authority to call meetings of the independent directors
- Insofar as the company's board wishes to communicate directly with shareholders, engaging (or overseeing the board's process for engaging) with those shareholders
- Guiding the annual board self-assessment
- Guiding the board's consideration of CEO compensation
- Guiding the CEO succession planning process

**Management Succession Planning**

a. Senior management bench strength can be evaluated by the board and shareholders through an assessment of key company employees; direct exposure to those employees is helpful in making that assessment.

b. Companies should inform shareholders of the process the board has for succession planning and also should have an appropriate plan if an unexpected, emergency succession is necessary.

**Compensation of Management**

a. To be successful, companies must attract and retain the best people – and competitive compensation of management is critical in this regard. To this end, compensation plans should be appropriately tailored to the nature of the company's business and the industry in which it competes. Varied forms of compensation may be necessary for different types of businesses and different types of employees. While a company's compensation plans will evolve over time, they should have continuity over multiple years and ensure alignment with long-term performance.

b. Compensation should have both a current component and a long-term component.

c. Benchmarks and performance measurements ordinarily should be disclosed to enable shareholders to evaluate the rigor of the company's goals and the goal-setting process.

That said, compensation should not be entirely formula based, and companies should retain discretion (appropriately disclosed) to consider qualitative factors, such as integrity, work ethic, effectiveness, openness, etc. Those matters are essential to a company's longterm health and ordinarily should be part of how compensation is determined. d. Companies should consider paying a substantial portion (e.g., for some companies, as much as 50% or more) of compensation for senior management in the form of stock, performance stock units or similar equity-like instruments. The vesting or holding period for such equity compensation should be appropriate for the business to further senior management's economic alignment with the long-term performance of the company. With properly designed performance hurdles, stock options may be one element of effective compensation plans, particularly for the CEO. All equity grants (whether stock or options) should be made at fair market value, or higher, at the time of the grant, with particular attention given to any dilutive effect of such grants on existing shareholders.

e. Companies should clearly articulate their compensation plans to shareholders. While companies should not, in the design of their compensation plans, feel constrained by the preferences of their competitors or the models of proxy advisors, they should be prepared to articulate how their approach links compensation to performance and aligns the interests of management and shareholders over the long term. If a company has well designed compensation plans and clearly explains its rationale for those plans, shareholders should consider giving the company latitude in connection with individual annual compensation decisions.

f. If large special compensation awards (not normally recurring annual or biannual awards but those considered special awards or special retention awards) are given to management, they should be carefully evaluated and – in the case of the CEO and other “Named Executive Officers” whose compensation is set forth in the company's proxy statement – clearly explained.

g. Companies should maintain clawback policies for both cash and equity compensation.

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## 12.7 SUMMARY

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Code of corporate practices refers to a set of rules, guidelines, values, principles and standards that serve to facilitate the decision making process in an organization with a view to balance the interests of its stakeholders in a prudent manner. The code is not intended as a strict model of good governance practices, but rather as a reference resource for reflection and application on a case-by-case basis, always taking into account the regulatory framework (compulsory and optional) to which the organization is submitted.

Bad corporate governance can tarnish a company's reliability, integrity or obligation to shareholders. Corporate governance became a pressing issue following the 2002 introduction of the Sarbanes-Oxley Act in the United States, which was ushered in to restore public confidence in companies and markets

A nation's competitiveness and wealth, for that reason, depend on the competitive nature of its corporations. No doubt a transparent and reasonable governance structure bears positive impact on a company




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## 12.8 GLOSSARY

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**Dual class voting**-Dual class voting is not a best practice. If a company has dual class voting, which sometimes is intended to protect the company from short-term behavior, the company should consider having specific sunset provisions based upon time or a triggering event, which eliminate dual class voting.




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## 12.9 REFERENCES

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## 12.10 SUGGESTED READINGS

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2. Stephen Bainbridge, The New Corporate Governance in theory and practice, Oxford University Press (2008)
3. D.N. Ghosh, Governance and Accountability: Essays on the Indian Financial and Corporate Sectors, Oxford University Press ( 2007)
4. Indian Institute of Corporate Affairs (author), Corporate Governance, Taxmann; 2015 edition (2016)



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## 12.11 TERMINAL QUESTIONS

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- Q1. Write a detailed note on the principles of corporate governance?
- Q2. Briefly discuss the role of Board of Directors in Corporate Governance?
- Q3. How can a firm attract and retain the best people?
- Q4. Write a note on the need and significance of a code of corporate practices.

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## **UNIT 13 SOCIAL RESPONSIBILITY OF CORPORATE**

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### **13.1 Introduction**

### **13.2 Objectives**

### **13.3 Meaning and Definition of Corporate Social Responsibility (CSR)**

### **13.4 Characteristics of CSR**

### **13.5 Why Business Should Assume Social Responsibility?**

### **13.6 Arguments in Favor of Corporate Social Responsibility**

### **13.7 Arguments against Social Responsibility**

### **13.8 Social Responsibility of Business towards Different Groups**

### **13.9 Drivers of CSR**

### **13.10 CSR and Corporate Governance**

### **13.11 CSR and Business Ethics**

### **13.12 Corporate Social Responsibility in India**

### **13.13 Summary**

### **13.14 Glossary**

### **13.15 Answers to check your progress**

### **13.16 Reference/Bibliography**

### **13.17 Suggested Reading**

### **13.18 Terminal and Model Questions**

### **13.19 Case Study**

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## **13.1 INTRODUCTION**

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Business depends on society for the needed inputs like money, men and skills. Business also depends on society for market where products may be sold. Thus business depends on society for existence, substance and encouragement and being so much dependent, business has definite responsibility towards society.

A number of significant changes are taking place in social, economic, political and other aspects. The role of business is being reexamined in the light of these developments. There is call for social consciousness on the part of business

The only aim of business is no more “profit maximization” The classical school of thought was of the view that a business serves well if it uses resources efficiently and economically. The society is helped in getting goods and services at prices which consumers are willing to pay. By doing all this business also maximizes its profits. The main responsibility was towards its owners. Their interest should be given primary importance by the business.

The modern view stands differ as it states that a business firm has many responsibilities in addition to producing and marketing of goods and services at profit. Business corporations are more than just economic entities. The business is a part of society. It owes its existence to the society. Therefore it should function under the overall control and discipline of the society. The society requires that every business should bear certain obligations

At present there is feeling that business should help in solving the social problems. It should make an efforts to help society even at the cost of reducing its profits.

Social responsibility refers to the obligations and duties of business to the society. The term “Corporate Social Responsibility“ (CSR) is based on the idea that business has social responsibility or obligations beyond juts earning profits. A business is responsible not only to shareholders alone but all the stakeholders (i.e. customers. employees. suppliers. competitors, government and social community. As a corporate citizen a business must accomplish its economic, legal, ethical and discretionary responsibilities.

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## 13.2 OBJECTIVES

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After reading the unit you will be able to understand;

- Meaning and Definition of Corporate Social Responsibility (CSR)
- Characteristics of CSR
- Social Responsibility of Business towards Different Groups
- Drivers of CSR
- CSR and Corporate Governance

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## 13.3 MEANING AND DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

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Social responsibility of business means the obligation of business enterprises to make decision and follow the lines of action which are desirable in terms of the objectives and values of society. Decision may affect environment, consumers and the community. Social responsibility is thus an obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests.

Whether the managers achieve their mission and how do they achieve that is very significant for the society. A society expects and deserves the accomplishment of missions of approved



enterprises. Managers should respond to the environment and become active participant in the community to improve the quality of life.

Some popular definition Corporate Social Responsibility (CSR) are given below:

- Howard R. Bowen defines, "Obligations to pursue those policies to make these decisions or to follow those lines of action which are desirable in terms of objectives and values of our society."
- K. K. Andrew, "Social Responsibility may be taken to mean intelligent and objective concern for the welfare of the society."
- George A. Steiner, "In the real sense, the assumption of social responsibilities implies recognition and understanding of the aspirations of the society and determination to contribute to its achievement."
- Peter F. Drucker, "Social responsibilities implies recognition and understanding of the aspirations of the society and determinations to contribute to its achievement."

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## 13.4 CHARACTERISTICS OF CSR

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The following are the characteristics of CSR;

1. Evolving Concept: Corporate social responsibility is an old idea though the perspectives on it have been changing over time. It is still at an evolving stage.
2. It is continuous process: Social Responsibility is a continuing obligation. A business firm remains responsible to the society throughout its life time. It is not one time obligation.
3. Reciprocal Relationship: Business is a part of society and its activities have an effect and affected by it. Social responsibility is therefore a reciprocal relationship. Just as business owes responsibility to society. In the same manner, the society is also responsible to its business.
4. Practices and Values: CSR clearly about a particular set of business practices and strategies that deal with social issues. A business may adopt certain good social practices which usually are an amalgam of expectation of various segment of society from the business,
5. It is voluntary Action: India is the first country in the world to make Corporate Social Responsibility (CSR) mandatory. Business can invest their profits in areas such as education, poverty, gender, equality and hunger as part of CSR compliance. In other countries it is voluntary action
6. CSR has stakeholder orientation : CSR involving considering a range of interests and impacts among different stakeholders other than just shareholders because corporation rely on various other groups such as consumers, employees, suppliers and local communities in order to survive and prosper, they do not have responsibilities towards the shareholders only.

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## 13.5 WHY BUSINESS SHOULD ASSUME SOCIAL RESPONSIBILITY

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Business should assume social responsibility because of the below mentioned reasons;

1. Five broad reasons are given below
  - i. Responding to the demand of society: As business gets larger, the public takes more interest in it, as it has greater impact on the community. Managers respond to public opinion so as to maintain public image of their company.
  - ii. Longer –run self-interest of business: Business firms can survive and thrive in the long run only in healthy and peaceful social environment. Business can create such an environment by discharging social responsibilities.
  - iii. Moral Justification: Business now tends to participate in the development of better world.
  - iv. Ethical behavior and generation of profits for shareholders is not compatible
  - v. All stakeholders have a stake in companies because they can be harmed if a company behaves unethically.

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## 13.6 ARGUMENTS IN FAVOUR OF CORPORATE SOCIAL RESPONSIBILITY

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- i. **Creation of the society:** Business is the creation of the society. Business is set up to produce goods and services and to provide them to the society. The demand for products or services arises from consumers who are parts of social set up. Since business is a part and parcel of society, it must think of obligations.
- ii. **Favorable for Business:** Performance of social obligation by business will not only be in the interests of society but in its own interest. The firm which is more responsive to the improvement of community quality of life will as a result has better community to conduct its business. People with healthy environment, good health and education will make them good customers and employees. Recruitment of labour will also be of higher quality. Turnover and absenteeism will be reduced.
- iii. **Moral Justification:** Nowadays modern industrial society faces many serious social problems as a result of emergence of large companies. Therefore the large corporations have a more responsibility to solve these problems. Also business which is using so many resources of our economy has responsibility to devote some of these resources in overall development of society.
- iv. **Public Image:** Only that firm can enjoy better reputation in public which supports social goals. Each firm seeks an enhanced public image so that it may gain more customers, better employees, more responsive markets etc. It is possible only if business performs its responsibilities towards society whole heartedly which will result in raising the value of securities held by owners.
- v. **Socio-Cultural Norms:** in country like India where social and cultural values have long and rich heritage, a business promoting social equalities, healthy employer-employee relations, consumer service will enjoy better social position. A business working against traditional values will face criticism from society.

- vi. **Reduces Government Interventions:** If business does not respond positively to the needs of society, then it may be compelled to do so through government law and regulations. Regulations may prove to be an expensive measure for business and could stand in the way of flexibility and freedom in making decisions and facing competitions. Therefore, it is definitely better for the businessmen to voluntarily undertake to fulfill the social responsibility.
- vii. **Environment protection:** In the process of their operations many business firms damage the surrounding environment. It is their duty to repair this damage so as to maintain the ecological balance.
- viii. **Useful to Owners' Interest:** A business enterprise realizing its social responsibilities will protect owners' interest also. Public will have a good opinion of those enterprises which are responsive to social obligations. This will enhance the reputation of such units in stock exchanges and it will result in raising the value of shares and debentures held by the owners

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## 13.7 ARGUMENTS AGAINST SOCIAL RESPONSIBILITY

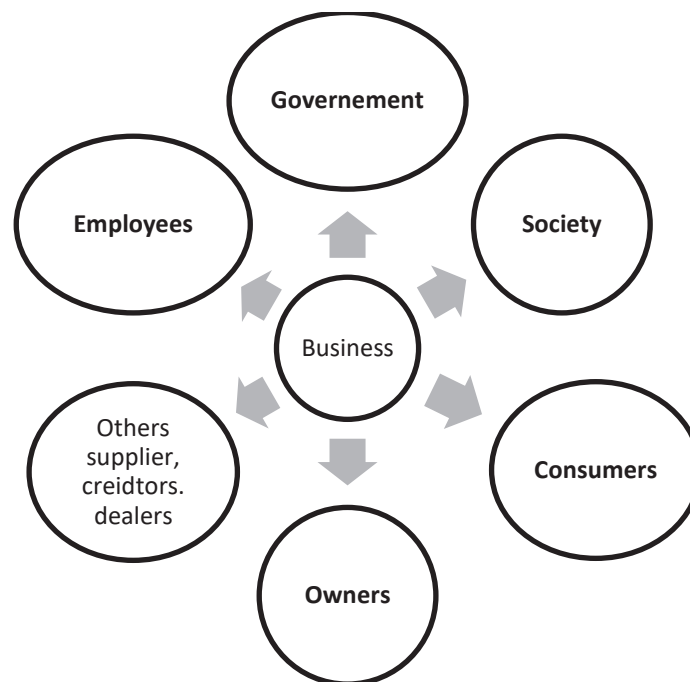
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The following are the arguments against social responsibility;

- 1) **Deviation from Business Objective:** The main goal of the business is "Profit maximization". Economic efficiency of business is a top priority and any deviation from this would divert the business from its mission. The welfare of employees and owners will also be served well by increasing profitability. Business's function is economics and not social. It helps in the integrated growth of the employees
- 2) **Increase in Prices:** when an organization spends the money on social activities, it will pass on this burden to the consumer. The money spent on social welfare will be collected by ways of increased prices. So ultimately it is the consumer who bears the burden of social obligation
- 3) **Responsibility of the Government:** It is the sole responsibility of the government to generate policies and programmes for the welfare of weaker segments of the society. Business organizations should not be involved in these activities.
- 4) **Conflicting Considerations:** Business managers will be guided by two conflicting considerations namely profits and social responsibilities. It will leave business managers in confusion and will result in poor decision making.
- 5) **Lack of accountability:** The management of a business is accountable to the organization for its performance. It will not be accountable to anyone for its social obligations. It will not be possible to control the performance of the business.

## 13.8 SOCIAL RESPONSIBILITIES OF BUSINESS TOWARDS DIFFERENT GROUPS

At present business is expected to balance the interests of various sections of society. Profit making may be one objective to satisfy owners but there are many more parties which expect much from the business. The employees, consumers, government, community want business to serve them well.



**Figure: 13.1 Social responsibility of business towards different groups**

These can be divided under two broad categories:

1. Internal interest groups
2. External interest groups

- **INTERNAL INTEREST GROUPS**

- i. **Responsibility towards Owners:** It is to be ensured that owners, shareholders, partners get fair dividend or a fair return on the capital invested. Further shareholders expect security of investment and shares in capital appreciation as bonus shares. The shareholders should be provided with correct information about the company so that they are in position to understand the real position of the company. The Companies Act requires management to give full disclosure in the published statements. Any attempt on the part of the management to suppress information from shareholders will be detrimental to the growth of business.

- ii. **Responsibility towards Employees:** The traditional concept of master servant relationship has to change to the concept of partnership between labour and management. Management should understand the role of employees in a proper perspective. It is only with the whole hearted co-operation of employees that a business can achieve success. Business should look after their mental, physical, economic and cultural satisfaction of employees. They should be treated with as human being instead of subordinates. The employees should be taken into confidence while taking important decisions affecting their interests. The workers may be offered incentives for raising their performance. When business looks after the welfare of the employees then they will also wholeheartedly work for its prosperity.
- **EXTERNAL INTEREST GROUPS**
  - i. **Responsibility towards Government :**
    - a. Employers has to law abiding, follow laws to trade factories and labour
    - b. To pay his dues and taxes fully and honesty
    - c. Not to purchase political support by unfair means
    - d. Not to corrupt public servants
    - e. Avoid adulteration
    - f. To maintain fair trade practices and avoid hoarding and cornering
  - ii. **Community:** The development of business brings a number of problems. If these problems are not taken care then these are bound to adversely affect the society. The problem of industrial waste has created a problem of environmental pollution and it has caused diseases and deaths. It is the duty of every industrial undertaking to dispose of waste in such a way that these do not harm the society. Business houses should be set up their units at those places where sufficient space is available for colonies etc. The business should set a part of the profits for spending on civic and educational facilities. This will also reduce the burden of the government.
  - iii. **Consumers :** Business policies directly the consumers in many ways :
    - a. Products meet the needs of the consumers.
    - b. Prices are reasonable. There is no hoarding-cornering of products to raise price
    - c. After sale service is available
    - d. Quality and standards are adhered.
    - e. Consumers association are to be vigilant and to report of falling of standards
  - iv. **Environment :** Business is expected to play a positive role in the following areas :
    - a) Conservation of natural resources: The natural resources of every country should be used judiciously.

Natural resources are used as inputs by the organization and these resources are depleted at very fast rate. So the organization should use it wisely. The scarce resources should be saved by finding out alternative sources.

- b) **Pollution Control:** The pollution of air and water are creating problems for the society. The responsibility of organization is to keep check on toxic of wastes, excessive noise, chemical pesticides, automobile exhaust etc. Business houses can control pollution by recycling wastes and by minimizing the pollution in the first place.

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## 13.9 DRIVERS OF CSR

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A few factors which make the corporations increasingly conscious of their social responsibility are given below:

1. **Globalization:** Business organizations in domestic and foreign markets are facing increasing competition due to globalization. In order to be successful in the race of global competition, companies want to increase their image by meeting the expectation of various stakeholders.
2. **Investors' Pressure:** The investors are interested to invest in socially responsible corporations. They keep in mind the social and environmental policies in various companies while making investment decisions
3. **Ecological Sustainability:** The most important and most talked driver is the concern for ecological sustainability. The present generation should ensure that health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations. After all, it is in the interest of business organization to protect for sustainable future, the long term availability of the resources on which they depend.
4. **Image Building:** CSR activities play a vital role in boosting the positive image of the organization in the eyes of public. These activities help the company in building constructive relationship with its suppliers, distributors, government and community.
5. **Cost Saving:** The organizations which adopt sound waste management and pollution control policies can reduce costs. Environmental friendly practices also help in protecting a company from penalties and other litigations expenses.
6. **Increase in Market Share:** Consumers give preference to the products of ethically and socially responsible firms. Environmental friendly practices also help in protecting a company from penalties and other litigations expenses.
7. **Legal Requirements:** By legally mandating Corporate Socially responsibility on April 1, 2014, India became the first country. The new rules in section 135 of India's companies Act make it mandatory for companies of certain turnover and profitability to spend two percent of their average net profit for the past three years on CSR.
8. **Risk Cover:** A business can protect itself from various perils by pursuing genuine care for the society. CSR activities reduce the risk of sudden damage to reputation and



economic performance. Now even the financial institutions take into consideration social performance and environment impact of business while assessing their risk of lending to it.

9. **Good Labour Relations:** Socially responsible corporations have an advantage of attracting and retaining talent. Workers prefer to work in companies which offer a healthy, safe and comfortable working environment.

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## 13.10 CSR AND CORPORATE GOVERNANCE

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Corporate governance means doing everything better to improve relations between companies and their shareholders, to encourage people to think long term and to ensure that executive management is monitored properly in the interests of shareholders. Corporate Governance is about commitment to values and ethical business conduct. Timely and accurate disclosure of information regarding the financial situation, performance, ownership and Governance of the Company is an important part of Corporate Governance.

Corporate Governance is concerned with holding the balance between economic and social goals. The Corporate Governance framework is there to encourage the efficient use of resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. (Sir Adrian Cadbury in Global Corporate Governance Forum World Bank 2000)

Corporate Social Responsibility (CSR) is concerned with treating the stakeholders of the firm ethically or in socially responsible manner. Stakeholders exist both within and outside the corporation. Corporate Governance can be defined as the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. The principles of Corporate Governance aim at achieving its objectives in relations to all its stakeholders like shareholders, employees, customers, investors, suppliers, government and regulatory authorities and community at large.

Both the concept of CSR and Corporate Governance are interlinked and inseparable from each other. The principles of good Corporate Governance would necessarily endorse corporate responsibility towards the society. Business being an essential part of the society, has to adopt policies and programmes for the welfare of people supplementing the government activities.

**Table 13.1: Difference between Corporate Governance and CSR**

<b>Difference between Corporate Governance and CSR</b>		
<b>Basis of difference</b>	<b>Corporate Governance</b>	<b>Corporate Social Responsibility</b>
1. Meaning	Corporate Governance is concerned with ways of bringing	CSR is concerned with treating the stakeholders



	the interests of investors and manager into line and ensuring that firms are run for the benefits of investors	of the firm ethically or in socially responsible manner.
2. Scope	Scope of corporate governance is narrow focusing on the interests of shareholders.	CSR takes a wider perspective as it concentrates on the interest of shareholders as well as stakeholders.
3. Legal Compliance	Corporate Governance is based on statutory provisions applicable in a nation. The company Law and other regulatory authorities of a country lay various guidelines and rules which have to be complied with.	Corporate Social responsibility does not have to go for any legal compliance. It does not have to follow such laws and authorities. Companies Act has introduced some mandatory provisions
4. Focus	Corporate Governance programmes tend to be rule based and internally focused	CSR tend to be more value-based and externally focused
5. Voluntary Codes	The Corporate Governance is more often mandatory	CSR are of voluntary and based on self-regulatory corporate codes. Companies Act has introduced some mandatory provisions

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## 13.11 CSR AND BUSINESS ETHICS

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The term ethics has been derived from the Greek word ethos which means character. The term ‘ethics’ means; the moral values which will discriminate and distinguish between what is desirable and what is undesirable and between what is acceptable and what is not acceptable. Ethics may be referred to as some standardized form of conduct or individuals understood and accepted in a particular field of activity.

Business ethics refers to the application of ethics and ethical approach to business. Business ethics are rules of business conduct by which the propriety of business activities may be judged. To be more specific, business ethics pertain to the study of good and evil, right and wrong and just and unjust actions of businessmen.

Corporate social responsibility is a company’s obligation to be accountable to all of the stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economical aspect but also in the social and environmental

aspects. In other words, it is most likely to be described as the commitment of corporate contributions to the society in order to maximize the benefits of all the related stakeholders. The stakeholders include the owners, investors, employees, customers, government, suppliers, competitors and the community.

Corporate are now serious about CSR because they have realized that they cannot survive with support of the society just like a single human being cannot survive in isolation. CSR is vital in a corporate. Corporate Social Responsibility is a business philosophy which put emphasis on the need for firms to behave a good corporate Citizen which means they should follow the all laws which are applicable to their organization and also conduct their production and marketing activities in such a manner avoids causing environmental pollution and using the limited resources judiciously.

Ethical and social responsible practices are important in relation to various aspects of organizational effectiveness such as quality, communication, profits, competitiveness, survival, efficiency and stakeholder's satisfaction. Social responsibilities are related to the ethical responsibility and various other social responsibilities which are economic, legal and discretionary responsibilities. There are six main areas of social Responsibilities, viz. the employees, providers of finance, consumers, community and environment, government and other organization or groups. Business ethics relates to the application of moral values and principle of business affairs. It requires equal, honest and fair treatment to all the stakeholders and not merely to the shareholders. The Corporation which conducts its affairs in a just and ethical manner fulfills the social responsibilities.

### **Difference between CSR and Business Ethics**

Difference between CSR and Business Ethics are;

1. There are good things for society that are not good for business and this is where social responsibility comes in. There are also good things in business that are not good for society and this is where business ethics come in.
2. Social responsibility is more of policy or an obligation to the community, while business ethics are more of a conscience.
3. Business is focused on profits but with social responsibility. It is still obliged to perform beneficial activities for society, while business ethics should make a positive move for society.
4. Without social responsibility, the community will not benefit, however, without business ethics, business is capitalism is worst.



### Check Your Progress- A

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#### Choose the correct alternative;

1. The term ethics means
  - a) Compliance of laws
  - b) Science of applying immoral approach
  - c) Ignoring what is right or wrong
  - d) Moral values which will discriminate what is desirable and what is undesirable.
2. Corporate governance means
  - a) Application of ethics
  - b) Not following the laws
  - c) Finding loopholes in law
  - d) System of laws, rules and factors that control the operations of company.
3. Social responsibility refers to
  - a) Obligation and duties of business to the society
  - b) Focusing more on profit maximization
  - c) Only emphasizing the business obligation
  - d) Ignoring the society's expectation
4. Which company is required to constitute CSR committee under section 135
  - a) Net worth of 500 crores or more
  - b) Turnover if rupees 1000 crores or more
  - c) A net profit of rupees 5 crore or more
  - d) All of the above

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## 13.12 CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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The Companies Act, 2013 lays down the provisions requiring corporate to mandatorily spend a prescribed percentage of their profits on certain specified areas of social upliftment in discharge of their social responsibilities. Broadly Corporate Social Responsibility implies a concept, whereby companies decide to constitute a better society and a cleaner environment—a concept where by the companies integrate social and other useful concern in their business operations for the betterment of the stakeholders and society in general.

**Corporate Social Responsibility (CSR):** The companies (CSR policy) rules, 2014(rules 2(1 (c)) provides the exhaustive definition of CSR which provides that the CSR means and includes but is not limited to :

- 1) Projects or programs relating to activities areas or subjects specified in schedule VII to the Act or

- 2) Projects of programs relating to activities under taken by the board of directors of company in pursuance of recommendation of the CSR committee of the Board as per declared CSR Policy of the company subject to the condition that such policy include activities, areas or subjects specified in schedule VII of the Act.

According to Section 135 of the Companies Act 2013 reads with the companies (Corporate Social Responsibilities) Rules 2014

- i. Which company is required to constitute CSR committee
  - a. **According to section 135(1)**
    - i. every company having net worth of Rs 500 crores or more
    - ii. turnover of rupees 1000 crore or more
    - iii. a net profit of Rs.5 crore or more

During the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors out of which at least one director shall be an independent director. Provided that where a company is not required to appoint independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors. Every company including its holding or subsidiary and foreign company defined under clause (42) of section 2 of the Act having its branch office or project office in India which fulfills the criteria specified in sub section (1) of 135 of the act shall comply with the provisions of section 135 of the act.

- b. **Exclusion of companies ( 3(2) of the Companies (CSR) rules,2014) :** Every company ceases to a company covered under subsection (1) of section 135 of the Act for three consecutive financial years shall not be required to :

- i. Constitute A CSR committee and
- ii. Comply with the provisions contained in subsection (2) to (5) of the said section  
Till such times it meets the criterial specified in sub section (1) of section 135

- c. **Duties of CSR Committee ( section 135(3) :The CSR Committee shall :**

- i. Formulate and recommend to the board ,a CSR Policy which shall indicate the activities to be undertaken by the company in areas or subject specified in schedule VII
- ii. Recommend the amount of expenditure to be incurred on the activities referred to clause (a) and
- iii. Monitor the CSR Policy of the company from time to time

- d. **Content of the CSR Policy : Rule 6 of the Companies (CSR) Rules ,2014**

- a) List of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same and
- b) Monitoring process of such projects or programs

- c) Provided that the CSR activities do not include the activities under taken in pursuance of normal course of business of a company
  - d) Provided further that Board of directors shall ensure that activities included by a company in its CSR policy are related to the areas or subjects specified in Schedule VII of the Act
  - e) The CSR policy of the company shall specify that surplus arising out of the CSR projects or programs or activities shall not form part of the business profits of a company.
- e. **Duties of Board in relation to CSR ( Section ( 135(4))** : The Board of every company referred to sub section (1) shall
- i. After taking into account the recommendations made by the CSR Committee approve the CSR Policy for the company and disclose contents of such policy in its report and also place it on the company's website if any in such manner as may be prescribed and
  - ii. Ensure that the activities are included in CSR Policy of the company are under taken by the company
- f. **Amount of contribution towards CSR ( section 135(5))**
- i. The Board of every company shall ensure that the company spends in every financial year at least two percent of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR policy.
  - ii. Provided that the company shall give preference to the local area and area around it when it operates for spending the amount earmarked for CSR activities
  - iii. Provided further if the company fails to spend such amount the Board shall in its report specify the reasons for not spending the amount
  - iv. Companies may build CSR capacities of their own personnel as well those of implementing agencies through institutions with established track record of at least three financial years but such expenditure including expenditure on administrative overhead shall not exceed 5% of total CSR expenditure of the company in one financial year ( Rule 4 of the Companies ( CSR policy) Rules,2014.
- g. **CSR Activities:** Rule 4 of the companies (CSR policy) Rules, 2014 states the various CSR activities that shall be undertaken by the companies.
- i. The CSR activities shall be taken by the company as per its CSR Policy as projects or programmes or activities excluding activities undertaken in pursuance of its normal course of business.
  - ii. The Board of a company may decide to undertake its CSR activities approved by the CSR committee, through
    - a) A company established under section 8 of the act or a registered trust or a registered society established by the company, either singly or along with any other company or
    - b) A company established under section 8 of the Act or a registered trust or a registered society established by the

- central government or state government or any entity established under an Act of parliament or a state legislature.
- iii. A company may collaborate with other companies for undertaking projects or programmes of CSR activities in such manner that the CSR committees of respective companies are in position to report separately on such projects or programs in accordance with these rules.
  - iv. Subject to provisions contained in section 135(5), the CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure.
  - v. The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.
  - vi. Companies may build CSR capacities of their own personnel as well as those of implementing agencies through institutions with established track record of at least three financial years but such expenditure including expenditure on administrative overhead shall not exceed 5% of total CSR expenditure of the company in one financial year.
  - vii. Contribution of any amount directly or indirectly to any political party under section 182 of the Act shall not be considered as CSR activity

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### 13.13 SUMMARY

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Social responsibility of business means the obligation of business enterprises to make decision and follow the lines of action which are desirable in terms of the objectives and values of society. Decision may affect environment, consumers and the community. Social responsibilities is thus an obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests. At present business is expected to balance the interests of various sections of society. Profit making may be one objective to satisfy owners but there are many more parties which expect much from the business. The employees, consumers, government, community want business to serve them well. By legally mandating Corporate Socially responsibility on April 1, 2, 014, India became the first country. The new rules in section 135 of India's companies Act make it mandatory for companies of certain turnover and profitability to spend two percent of their average net profit for the past three years on CSR.

Corporate Social Responsibility (CSR) is concerned with treating the stakeholders of the firm ethically or in socially responsible manner. Stakeholders exist both within and outside the corporation. Corporate Governance can be defined as the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. The principles of Corporate Governance aim at

achieving its objectives in relations to all its stakeholders like shareholders, employees, customers, investors, suppliers, government and regulatory authorities and community at large.

Business ethics refers to the application of ethics and ethical approach to business. Business ethics are rules of business conduct by which the propriety of business activities may be judged. To be more specific, business ethics pertain to the study of good and evil, right and wrong and just and unjust actions of businessmen.

Corporate social responsibility is a company's obligation to be accountable to all of the stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economical aspect but also in the social and environmental aspects



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## 13.14 GLOSSARY

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**Approach-** A way of dealing with something

**Attitude-**The way that you think or behave

**Activities-** The power or ability to do something

**Challenges-** Something new and difficult that forces one to make a lot of efforts.

**Development-** The process in which someone or something grows or changes and becomes more advanced.

**Obligations-**The state of having to do something because it is a law or duty or because one has promised.

**Process-** A process is a set of activities that interact to produce a result.



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## 13.15 ANSWERS TO CHECK YOUR PROGRESS

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1. (d)
2. (d)
3. (a)
4. (d)





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## 13.16 REFERENCES

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- Study material of institute of chartered Accountant of India ( Inter Corporate laws and other laws)



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## 13.17 SUGGESTED READINGS

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1. Encyclopedia.pub/715
2. <https://seproject.org>
3. <https://www.gargshashi.com>
4. <https://www.bos-cbscr.dk/2015/01/13/corporate-governance-and-corporate-responsibility>



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## 13.18 TERMINAL QUESTIONS

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- Q1. What do you mean by Corporate Social Responsibility? Giver arguments for and against Corporate Social Responsibility.
- Q2. Discuss the main driving force behind CSR.
- Q3. Explain CSR and Business Ethics.
- Q4. Discuss Corporate Social Responsibility in India.



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## 13.19 CASE STUDY

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ABC Ltd is engaged in the business of construction and has various projects which are under execution in Delhi NCR region. The company is also looking for new projects, particularly in Southern part of India based on understanding that margins are very high over there. During the year ending March 31, 2018, the company got covered with in the requirements of CSR. Considering the nature of its business, company has a large employee base and it decided to spend on CSR on some activity related to construction which would benefit its employees and would indirectly also help business of the company. Please advice on this.

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## UNIT 14 CORPORATE GOVERNANCE SYSTEM- MAIN REGULATIONS

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### 14.1 Introduction

### 14.2 Objectives

### 14.3 Meaning of Corporate Governance

### 14.4 Corporate Governance in listed Companies – Clause 49 of the Listing Agreement

### 14.5 Summary

### 14.6 Glossary

### 14.7 Reference/ Bibliography

### 14.8 Suggested Readings

### 14.9 Terminal & Model Questions

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## 14.1 INTRODUCTION

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Corporate Governance is a system that provides direction to the Administrators in governing and managing an organisation Clause 49 is a major step of SEBI in bringing transparency, accountability, and fairness in the corporate governance system. Therefore, as a student of management discipline, one should know about Clause 49 of the listing agreement that came into effect from the year 2005. In this SEBI put forth certain specifications for the responsibilities of the audit committee, representation of independent directors in the Board, and mandatory financial disclosures. Clause 49 of the listing agreement has been made necessary for the companies who are interested in making themselves listed in stock exchanges. This clause has certain mandatory and non-mandatory provisions. Let us now refer to some important points of Clause 49 as specified by SEBI.

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## 14.2 OBJECTIVES

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After reading this unit you will be able:

- To introduce conceptual and theoretical foundations of corporate governance
- Get an overview of Clause 49 of the listing agreement.

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## 14.3 MEANING OF GOVERNANCE, CORPORATE GOVERNANCE

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Corporate Governance is basically a system that provides direction to the Administrators and Governing Bodies in governing and managing an organization with fairness, transparency equity, and just. It is concerned with the structures, norms, rules, regulations, and processes that govern an enterprise's way of functioning. The essence and scope of the responsibility and accountability of the people who are governing an organization are specified through this system.

Let us now refer to various definitions given by experts that will certainly help us in understanding the meaning of corporate governance.

Maier in year 2005 states that “Corporate governance defines a set of relationships between a company's management, its board, its shareholders and its stakeholders.”

European Corporate Governance Institute (1992) gave the following definition of Corporate governance. “Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place”.

Further, Organization for Economic Cooperation and Development in year 1999 discussed about good corporate governance practices. “Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance”.

Arora and Bodhanwala in year 2018 states that “Corporate governance aims at facilitating effective monitoring and efficient control of business. Its essence lies in fairness and transparency in operations and enhanced disclosures for protecting interest of different stakeholders”.

**Check Your Progress- A**

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**Q1. State the meaning of a Governance.**

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**Q2. Explain the Corporate Governance?**

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## **14.4 CORPORATE GOVERNANCE IN LISTED COMPANIES – CLAUSE 49 OF THE LISTING AGREEMENT**

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### **I. Board of Directors**

#### **(A) Composition of Board**

(i) The Board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors.

(ii) Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.

(iii) For the purpose of the sub-clause (ii), the expression ‘independent director’ shall mean a non-executive director of the company who:

a. apart from receiving director’s remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;

c. has not been an executive of the company in the immediately preceding three financial years;

d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:

i) the statutory audit firm or the internal audit firm that is associated with the company, and

ii) the legal firm(s) and consulting firm(s) that have a material association with the company.

e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and

f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

(iv) Nominee directors appointed by an institution which has invested in or lent to the company shall be deemed to be independent directors.

#### (B) Non executive directors' compensation and disclosures

All fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting. The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, including independent directors, in any financial year and in aggregate.

#### (C) Other provisions as to Board and Committees

(i) The board shall meet at least four times a year, with a maximum time gap of three months between any two meetings. The minimum information to be made available to the board is given in Annexure– I A.

(ii) A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore it should be a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and notify changes as and when they take place.

#### Code of Conduct

(i) The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be posted on the website of the company.

(ii) All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the CEO.

## II Audit Committee

### (A) Qualified and Independent Audit Committee

A qualified and independent audit committee shall be set up, giving the terms of reference subject to the following:

(i) The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors.

(ii) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation 1: The term “financially literate” means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation 2: A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

(iii) The Chairman of the Audit Committee shall be an independent director;

(iv) The Chairman of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;

(v) The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;

(vi) The Company Secretary shall act as the secretary to the committee.

### (B) Meeting of Audit Committee

The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

### (C) Powers of Audit Committee

The audit committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### (D) Role of Audit Committee



The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

#### (E) Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

#### IV. Disclosures

##### (A) Basis of related party transactions

(i) A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee.

(ii) Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the audit committee.

(iii) Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the audit committee, together with Management's justification for the same..

##### (B) Disclosure of Accounting Treatment

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

##### (C) Board Disclosures – Risk management

The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

(D) Proceeds from public issues, rights issues, preferential issues etc.

When money is raised through an issue (public issues, rights issues, preferential issues etc.), it shall disclose to the Audit Committee, the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and place it before the audit committee. Such disclosure shall be made only till such time that the full money raised through the issue has been fully spent. This statement shall be certified by the statutory auditors of the company. The audit committee shall make appropriate recommendations to the Board to take up steps in this matter.

(E) Remuneration of Directors

(i) All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

(ii) Further the following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report:

(a) All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.

(b) Details of fixed component and performance linked incentives, along with the performance criteria.

(c) Service contracts, notice period, severance fees.

(d) Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

(iii) The company shall publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may be put up on the company's website and reference drawn thereto in the annual report.

(iv) The company shall disclose the number of shares and convertible instruments held by non-executive directors in the annual report.

(v) Non-executive directors shall be required to disclose their shareholding (both own or held by / for other persons on a beneficial basis) in the listed company in which they are proposed to be appointed as directors, prior to their appointment. These details should be disclosed in the notice to the general meeting called for appointment of such director.

## (F) Management

(i) As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

i. Industry structure and developments.

ii. Opportunities and Threats.

iii. Segment-wise or product-wise performance.

iv. Outlook

v. Risks and concerns.

vi. Internal control systems and their adequacy.

vii. Discussion on financial performance with respect to operational performance.

viii. Material developments in Human Resources / Industrial Relations front, including number of people employed.

(ii) Senior management shall make disclosures to the board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

Explanation: For this purpose, the term "senior management" shall mean personnel of the company who are members of its core management team excluding the Board of Directors). This would also include all members of management one level below the executive directors including all functional heads.

## VI. Report on Corporate Governance

(i) There shall be a separate section on Corporate Governance in the Annual Reports of company, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted. The suggested list of items to be included in this report is given in Annexure- I C and list of non-mandatory requirements is given in Annexure – I D.

(ii) The companies shall submit a quarterly compliance report to the stock exchanges within 15 days from the close of quarter as per the format given in Annexure I B. The report shall be signed either by the Compliance Officer or the Chief Executive Officer of the company.

## VII. Compliance

(1) The company shall obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in this

clause and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate shall also be sent to the Stock Exchanges along with the annual report filed by the company.

(2) The non-mandatory requirements given in Annexure – I D may be implemented as per the discretion of the company. However, the disclosures of the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory.



### ***Check Your Progress- B***

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**Q1. Explain Remuneration of Directors in Clause 49 of Listing agreements.**

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**Q2. Write a short note on role of Audit Committees in Corporate governance System.**

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## **14.5 SUMMARY**

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The SEBI guidelines regarding corporate governance norms attempted in bringing more transparency, accountability, and fairness in the system. Clause 49 of the SEBI guidelines was a major step in developing new standards of the corporate governance system in India. These guidelines are serving as reference notes for defining independent directors, specifying responsibilities of audit committees, elaborating financial disclosures in terms of issues, code of conduct, certification, statements, etc.




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## 14.6 GLOSSARY

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**Financially literate** - “Financially literate” means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.




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## 14.7 REFERENCES

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## 14.8 SUGGESTED READINGS

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6. Mandal- *Ethics in business and corporate governance*, 2e, McGraw-Hill
7. Kumar- *Corporate Governance*, Oxford University Press



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## 14.9 TERMINAL QUESTIONS

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Q1. Summarise the take away points from Clause 49 regarding corporate governance.

Q2. Discuss the importance and role of audit committees.

Q3. What are the suggested List of Items to Be Included In the Report on Corporate Governance in the Annual Report of Companies?

Q4. You are the Secretary of a company which is going through the process of moving from the Alternative Investment Market (AIM) to a full listing on the London Stock Exchange (LSE). The board has been having regular meetings, and at the last meeting decided it was worried about disclosures relating to directors' remuneration. In fact, one of the board members has told you confidentially that none of them are certain which information needs to be disclosed, which information will be audited and which will not. Until now, remuneration has not been disclosed in the company's annual reports, and with the new listing the board feels that this has to change quickly.

Prepare a summary of requirements and best practice relating to the disclosure of directors' remuneration, and the audit of this information, for the next board meeting.



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# UNIT15 CORPORATE GOVERNANCE & PROFESSIONAL ETHICS

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## 15.1 Introduction

## 15.2 Objectives

## 15.3. Meaning of Corporate Governance

## 15.4 Need for Corporate Governance

## 15.5 Core Principles of Corporate Governance

## 15.6 Corporate Governance in India

## 15.7 Professional Ethics

## 15.8 Example of Code of Ethics

## 15.9 Summary

## 15.10 Glossary

## 15.11 Reference/ Bibliography

## 15.12 Suggested Readings

## 15.13 Terminal & Model Questions

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## 15.1 INTRODUCTION

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In this unit, you will study about corporate governance and professional ethics.. The concepts related to ethics and governance will be examined. The role of Corporate Governance in implementing a strategy to ensure optimal utilization of available resources in the interest of stakeholders is a challenge that needs to be addressed efficiently and effectively. The corporate governance framework includes explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards, procedures for reconciling conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and procedures for proper supervision, control, and information-flows to serve as a system of checks and balances.

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## 15.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the concepts related to corporate governance
- Understand the importance of governance in the implementation of strategy.
- Learn how corporate governance serves the interests of stakeholders.
- Learn about corporate governance in India.
- Understand the meaning and significance of professional ethics.

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## 15.3 MEANING OF CORPORATE GOVERNANCE

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Corporate Governance may be defined as a system for directing and controlling firms. It provides a framework of practices and procedures to satisfy stakeholders in a fair and transparent manner.

Some of our known corporates have defined Corporate Governance as follows:

The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community). – Business dictionary

Corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organization's wealth generating capacity. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations. At Infosys, it is imperative that our company affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders. –Infosys

*"Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor partners, investors, employees, government and society."* – N. R. Narayana Murthy

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast quantum of societal resources, ITC believes that the governance process should ensure that these companies are managed in a manner that meets stakeholders aspirations and societal expectations.

ITC's Corporate Governance initiative is based on two core principles. These are :

- Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- This freedom of management should be exercised within a framework of effective accountability.

ITC believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a

mechanism of checks and balances which ensures that the decision making powers vested in the executive management is not only not misused, but is used with care and responsibility to meet stakeholder aspirations and societal expectations.

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## 15.4 NEED FOR CORPORATE GOVERNANCE

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Corporate governance is the way a corporation polices itself. In short, it is a method of governing the company like a sovereign state, instating its own customs, policies and laws to its employees from the highest to the lowest levels. Corporate governance is intended to increase the accountability of your company and to avoid massive disasters before they occur.

Corporate governance is more than company administration. It emphasizes on a fair, efficient and transparent functioning of the corporate management system. Corporate governance refers to a code of conduct; the Board of Directors must abide by; while running the corporate enterprise. It refers to a set of systems, procedures and practices which ensure that the company is managed in the best interest of all corporate stakeholders.

The need for corporate governance can be understood with the help of the following:

1. **Changing Ownership Structure** : In recent years, the ownership structure of companies has changed a lot. Public financial institutions, mutual funds, etc. are the single largest shareholder in most of the large companies. So, they have effective control on the management of the companies. They force the management to use corporate governance. That is, they put pressure on the management to become more efficient, transparent, accountable, etc. They also ask the management to make consumer-friendly policies, to protect all social groups and to protect the environment. So, the changing ownership structure has resulted in corporate governance.
2. **Importance of Social Responsibility** : Today, social responsibility is given a lot of importance. The Board of Directors have to protect the rights of the customers, employees, shareholders, suppliers, local communities, etc. This is possible only if they use corporate governance.
3. **Growing Number of Scams** : In recent years, many scams, frauds and corrupt practices have taken place. Misuse and misappropriation of public money are happening everyday in India and worldwide. It is happening in the stock market, banks, financial institutions, companies and government offices. In order to avoid these scams and financial irregularities, many companies have started corporate governance.
4. **Wide Spread of Indifference on the part of Shareholders** : In general, shareholders are inactive in the management of their companies. They only attend the Annual general meeting. Postal ballot is still absent in India. Proxies are not allowed to speak in the meetings. Shareholders associations are not strong. Therefore, directors misuse their power for their own benefits. Today a company has a very large number of shareholders spread all over the nation and even the world; and a majority of

shareholders being unorganised and having an indifferent attitude towards corporate affairs. The idea of shareholders' democracy remains confined only to the law and the Articles of Association; which requires a practical implementation through a code of conduct of corporate governance.

5. **Globalisation** : Today most big companies are selling their goods in the global market. So, they have to attract foreign investor and foreign customers. They also have to follow foreign rules and regulations. All this requires corporate governance. Without Corporate governance, it is impossible to enter, survive and succeed the global market.
6. **Takeovers and Mergers** : Today, there are many takeovers and mergers in the business world. Corporate governance is required to protect the interest of all the parties during takeovers and mergers.
7. **SEBI** : SEBI has made corporate governance compulsory for certain companies. This is done to protect the interest of the investors and other stakeholders.

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## 15.5 CORE PRINCIPLES OF CORPORATE GOVERNANCE

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1. **Transparency**: Business transparency is the key to promoting shareholder trust. Financial records, earnings reports and forward guidance should all be clearly stated without exaggeration or "creative" accounting.

2. **Fairness**: Ethical behavior violations in favor of higher profits can cause massive civil and legal problems down the road. Underpaying and abusing outsourced employees or skirting around lax environmental regulations can come back and bite the company hard if ignored. A code of conduct regarding ethical decisions should be established for all members of the board.

Small shareholders with little impact on the stock price are brushed aside to make way for the interests of majority shareholders and the executive board. Good corporate governance seeks to make sure that all shareholders get a voice at general meetings and are allowed to participate.

Stakeholder interests should also be recognized by corporate governance. In particular, taking the time to address non-shareholder stakeholders can help your company establish a positive relationship with the community and the press.

3. **Accountability**: Board responsibilities must be clearly outlined to majority shareholders. All board members must be on the same page and share a similar vision for the future of the company.

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## 15.6 CORPORATE GOVERNANCE IN INDIA

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The high profile corporate governance failure scams like the stock market scam, the UTI scam, Ketan Parikh scam, Satyam scam, which was severely criticized by the shareholders, called for a need to make corporate governance in India transparent as it greatly affects the development of the country.

To understand the scope of the legal framework and study the amendments, proxy advisory firms analyze the role of directors and how they are impacted by changes in the amendments. Proxy firms offer analytical data for the shareholders and corporate advisory services to companies.

Transparency in corporate governance is essential for the growth, profitability and stability of any business. The need for good corporate governance has intensified due to growing competition amongst businesses in all economic sectors at the national, as well as international level.

The Indian Companies Act of 2013 introduced some progressive and transparent processes which benefit stakeholders, directors as well as the management of companies. Investment advisory services and proxy firms provide concise information to the shareholders about these newly introduced processes and regulations, which aim to improve the corporate governance in India.

Corporate advisory services are offered by advisory firms to efficiently manage the activities of companies to ensure stability and growth of the business, maintain the reputation and reliability for customers and clients. The top management that consists of the board of directors is responsible for governance. They must have effective control over affairs of the company in the interest of the company and minority shareholders. Corporate governance ensures strict and efficient application of management practices along with legal compliance in the continually changing business scenario in India.

Corporate governance was guided by clause 49 of the Listing Agreement before introduction of the Companies Act of 2013. As per the new provision, SEBI has also approved certain amendments in the Listing Agreement so as to improve the transparency in transactions of listed companies and giving a bigger say to minority stakeholders in influencing the decisions of management. These amendments have become effective from 1st October 2014. the market watchdog has come out with norms to ensure "equitable treatment of all shareholders including minority and foreign shareholders".

Apart from providing adequate and timely information to all shareholders, listed companies should also facilitate the exercise of voting rights by foreign shareholders.

Companies should devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

The new norms, which have been finalised after detailed consultations over draft regulations released in January 2013, excludes 'nominee directors' from the definition of independent directors.

Besides, there would be expanded role of audit committee and enhanced disclosure of remuneration policies.

Separate meetings of independent directors, and constitution of 'stakeholders relationship committee' are also a part of the proposals.

SEBI has decided that the maximum number of boards an independent director can serve on listed companies be restricted to 7, while the directorship would be capped at three if the person is serving as a whole time director in any listed company.

Aiming to improve standards of corporate governance of listed companies, markets regulator SEBI has set up a committee under the chairmanship of Uday Kotak, chief of Kotak Mahindra Bank. The panel include representatives of Corporate India, stock exchanges, professional bodies, investor groups, chambers of commerce, law firms, academicians and research professionals, and Sebi. The panel headed by Kotak, the executive vice chairman and managing director of Kotak Mahindra Bank, would have to submit the report within a period of four months. The committee would make recommendations to Sebi on ensuring independence in spirit of independent directors and their active participation in functioning of the company and steps for improving safeguards and disclosures pertaining to related party transactions. Besides, the panel would suggest measures for addressing issues faced by investors on voting and participation in general meetings and ways for improving effectiveness of Board evaluation practices.

Further, it will also suggest SEBI on issues pertaining to disclosure and transparency.



### *Check Your Progress- A*

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#### **Q1. What do you understand by Corporate Governance?**

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**Q2. 'Transparency is an essential component of corporate governance'? Do you agree? Why?**

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## **15.7 PROFESSIONAL ETHICS**

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Professionally accepted standards of personal and business behavior, values and guiding principles. Codes of professional ethics are often established by professional organizations to help guide members in performing their job functions according to sound and consistent ethical principles. Professional ethics is defined as the personal and corporate rules that govern behavior within the context of a particular profession

Good Ethics is a fundamental requirement of any profession. It is integral to the success of the business as well. Ethics is a system of moral principles governing the appropriate conduct of a person or a group. Professionalism is the conduct, aims or qualities that characterize or mark a profession or professional person; it implies quality of workmanship or service. Every organization knows that a professional reputation is the difference between success and failure and they seek to keep their most professional staff.

The word "ethics" comes from a Greek term meaning "duty". Thus, a code of ethics consists of all the obligations that professionals must respect when carrying out their duties. It includes the core values of the profession and the behaviour which should be adopted; it's a code of professional conduct.

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## **15.8 EXAMPLE OF CODE OF ETHICS**

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This Code of Ethics for Educators was developed by the distinguished Advisory Board and the Executive Committee of the Association of American Educators

The professional educator strives to create a learning environment that nurtures to fulfillment the potential of all students, acts with conscientious effort to exemplify the highest ethical standards and accepts that every child has a right to an uninterrupted education free from strikes or any other work stoppage tactics.



**PRINCIPLE I: Ethical Conduct toward Students**

The professional educator accepts personal responsibility for teaching students character qualities that will help them evaluate the consequences of and accept the responsibility for their actions and choices. We strongly affirm parents as the primary moral educators of their children. Nevertheless, we believe all educators are obligated to help foster civic virtues such as integrity, diligence, responsibility, cooperation, loyalty, fidelity, and respect-for the law, for human life, for others, and for self.

The professional educator, in accepting his or her position of public trust, measures success not only by the progress of each student toward realization of his or her personal potential, but also as a citizen of the greater community of the republic.

1. The professional educator deals considerately and justly with each student, and seeks to resolve problems, including discipline, according to law and school policy.
2. The professional educator does not intentionally expose the student to disparagement.
3. The professional educator does not reveal confidential information concerning students, unless required by law.
4. The professional educator makes a constructive effort to protect the student from conditions detrimental to learning, health, or safety.
5. The professional educator endeavors to present facts without distortion, bias, or personal prejudice.

**PRINCIPLE II: Ethical Conduct toward Practices and Performance**

The professional educator assumes responsibility and accountability for his or her performance and continually strives to demonstrate competence. The professional educator endeavors to maintain the dignity of the profession by respecting and obeying the law, and by demonstrating personal integrity.

1. The professional educator applies for, accepts, or assigns a position or a responsibility on the basis of professional qualifications, and adheres to the terms of a contract or appointment.
2. The professional educator maintains sound mental health, physical stamina, and social prudence necessary to perform the duties of any professional assignment.
3. The professional educator continues professional growth.
4. The professional educator complies with written local school policies and applicable laws and regulations that are not in conflict with this code of ethics.

5. The professional educator does not intentionally misrepresent official policies of the school or educational organizations, and clearly distinguishes those views from his or her own personal opinions.

6. The professional educator honestly accounts for all funds committed to his or her charge.

7. The professional educator does not use institutional or professional privileges for personal or partisan advantage.

### **PRINCIPLE III: Ethical Conduct toward Professional Colleagues**

The professional educator, in exemplifying ethical relations with colleagues, accords just and equitable treatment to all members of the profession.

1. The professional educator does not reveal confidential information concerning colleagues unless required by law.

2. The professional educator does not willfully make false statements about a colleague or the school system.

3. The professional educator does not interfere with a colleague's freedom of choice, and works to eliminate coercion that forces educators to support actions and ideologies that violate individual professional integrity.

### **PRINCIPLE IV: Ethical Conduct toward Parents and Community**

The professional educator pledges to protect public sovereignty over public education and private control of private education. The professional educator recognizes that quality education is the common goal of the public, boards of education, and educators, and that a cooperative effort is essential among these groups to attain that goal.

1. The professional educator makes concerted efforts to communicate to parents all information that should be revealed in the interest of the student.

2. The professional educator endeavors to understand and respect the values and traditions of the diverse cultures represented in the community and in his or her classroom.

3. The professional educator manifests a positive and active role in school/community relations.

Source: Association of American Educators Website



**Check Your Progress- B**

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**Q1. What do you understand by Professional Ethics?**

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**Q2. What is Professionalism?**

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**Q3. Is ethical behavior an essential component of professionalism?**

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**Q4. Describe some important characteristics of a professional?**

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## 15.9 SUMMARY

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Corporate governance is of paramount importance to a company and is almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and the civil and criminal liability of the company. It also enhances a company's image in the public eye as a self-policing company that is responsible and worthy of shareholder and debtholder capital. It dictates the shared philosophy, practices and culture of an organization and its employees. A corporation without a system of corporate governance is often regarded as a body without a soul or conscience. Corporate governance keeps a company honest and out of trouble. If this shared philosophy breaks down, then corners will be cut, products will be defective and management will grow complacent and corrupt. The end result is a fall that will occur when gravity - in the form of audited financial reports, criminal investigations and federal probes - finally catches up, bankrupting the company overnight. Dishonest and unethical dealings can cause shareholders to flee out of fear, distrust and disgust.

Professionalism and ethical behavior in the workplace can benefit your career and improve your working environment. Understanding examples of professional and ethical behavior can help you to develop your own effective work habits. Be conscious of how you treat co-workers and your workplace attitude and you can improve your productivity and effectiveness.

Professional ethics are important for at least four important reasons. First, most professionals have an informational advantage over those they serve. This power asymmetry can be exploited to the advantage of the professional and thus there needs to be a corresponding sense of professional responsibility that obligates the professional to act in the client's best long term interest. Second, most professionals are, at some point, young and inexperienced professionals. Thus professional ethics represents a kind of collective, time-tested wisdom that is passed on to new professionals: watch out for this or do that. Also with changing laws, technologies and mores, professional standards will work to keep the profession abreast of new ethical challenges and emerging responsibilities and best practices. Third, professional ethics act as a somewhat effective countervailing power to organizational influence or the power of authority (say, from a supervisor or boss). Thus accountants have standard for reporting earnings and should not be swayed by a boss you says, in effect, "make the number work" so that we hit our earnings estimate. Finally, professional ethics may play a role in enforcement and disciplinary action with respect to those who violate such standards.



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## 15.10 GLOSSARY

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**Board of Directors:** A group of individuals elected to represent the interests of shareholders and monitor the corporation and its management. Generally speaking, a board serves two roles: an advisory role and an oversight role.

**Clause 49 (India) :** The standard of corporate governance in India that applies to all listed companies.

**Code of Best Practices:** Benchmark set of recommendations by blue-panel experts and others on corporate governance strategy, structure, model and other related dimensions that companies should incorporate to achieve “good governance”

**Key Performance Indicators (KPIs):** KPIs, or key performance measures, include both financial and nonfinancial metrics that validly reflect the current and future performance of a company. The board uses key performance measures to evaluate management performance and award compensation.

**Stakeholders (also Stakeholder-centric Perspective):** Stakeholders believe that corporations or organizations have a societal obligation beyond increasing shareholder value and that obligations to constituents such as employees, suppliers, customers, and local communities should be held in equal importance to shareholder returns (e.g., environmental sustainability, corporate social responsibility).

**Transparency:** The degree to which a company provides details that supplement and explain accounts, items, and events reported in its financial statements and other public filings. Transparency is important for shareholders to properly understand a company’s strategy, operations, risk, and performance of management.



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## 15.12 SUGGESTED READINGS

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## 15.13 TERMINAL QUESTIONS

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- Q1. Write a detailed note on the need for corporate governance.
- Q2. Describe the core principles of corporate governance.
- Q3. “The need for good corporate governance has intensified due to growing competition amongst businesses in all economic sectors at the national, as well as international level”. Discuss.
- Q4. What do you understand by professional ethics? Discuss with the help of examples.



**Block IV**  
**Issues in Business Ethics and Corporate  
Governance**

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## **UNIT 16 ETHICAL ISSUES RELATED TO ADVERTISEMENTS, FINANCE, INVESTMENT AND TECHNOLOGY**

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### **16.1 Introduction**

### **16.2 Objectives**

### **16.3 Ethical Issues in Advertisements**

### **16.4 Ethical Issues in Finance**

### **16.5 Ethical Issues in Investment**

### **16.6 Ethical Issues in Technology**

### **16.7 Summary**

### **16.8 Glossary**

### **16.9 Suggested Readings**

### **16.10 Terminal Questions**

### **16.11 Caselets**

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## **16.1 INTRODUCTION**

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Advertising is a tool of mass communication. It affects the interest of the company (advertiser), customer (target audience/advertiser) and society in several ways. Misuse and misapplication of advertisement to serve the greed for money of the business are common phenomenon. The interest of society and various stakeholders is seriously threatened in finance area where security, bankruptcy of leading corporations has become hot topics. Technology frauds, cloning aborting of female child, recent calamity in Japan where unclear power catastrophe has been experienced are burning topics of ethics in technology area. Ethics of investment decisions demand close and careful analysis. Ethics in all these vital areas of functional management assume special significance in view of globalization, political, bureaucratic and business nexus in corruption.

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## 16.2 OBJECTIVES

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Study of this unit should enable you to-

- Understand significant ethical issues in Advertising.
- Understand Ethical issues in Finance Accounting and Investment.
- Understand major ethical issues areas in the field of technology.

You should be prepared to take ethical stands and decisions. To prevent unethical behavior in your organization.

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## 16.3 ETHICAL ISSUES IN ADVERTISEMENTS

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Advertising is a tool of mass communication. It affects the interest of advertiser, customer (target audience), society, media industry, environment and the Govt. in several ways. NGO's and Govt. political parties in elections also use or misuse Advertisements and suffer its consequences. Misuse and misapplication of this tool to serve the selfish motives make it a dangerous tool calling for imposing ethical, legal and moral limitations.

### Ethics in advertisement

Hymen et al (1994) have identified the following ethical issues in advertisement:-

1. Does it misinform?
2. Does it mislead?
3. Does it make false claims or makes false promises?
4. Does it criticize competitive products truthfully or otherwise?
5. Does it create socially undesirable demands?
6. Does it cause socially undesirable action by the target audience?
7. Does it try to influence target groups who are not mature enough to understand and discriminate? E.g. children, illiterates. Tribals?
8. Is it in any way offensive to good taste? E.g. obscene or vulgar, nudity.
9. Is it using money power to prevent fair competition? E.g. Pepsi, Coca-Cola advertisements.
10. Does it lower the dignity of women? E.g. projecting them nude, gullible and helpless.
11. Does it reveal in intimate physical details (violates privacy) which good taste should leave alone? E.g. ads of several tonics, condoms, AIDS.
12. Does it defame any person or class of persons?
13. Does it build a stereotype which results in some class of persons having a disadvantage in normal social relationship? E.g. satirical ads on Sikhs and South Indians.
14. Does it manipulate the viewer by subliminal suggestions or emotional blackmail by wrongly, unreasonably, irrationally invoking basic and hidden fears of death and injury or visions and fantasies?

Practical

You may take any electronic or print media advertisement and carefully examine which from the above list are present in it, and then the advertisement concerned will be considered unethical. It may be illegal and immoral also.

Examples

1. Hindustan Uniliver Ltd. advertise their fairness cream Fair and Lovely by claiming that its regular use makes the skin fair and lovely. Is it ethical? Give reasons.
2. A television advertisement shows an uncle telling nephew, "Better use condoms when you move with your numerous girl friends. Don't risk AIDS" The advertisement is telecast at prime time when children are watching television along with parents. Discuss its ethical aspects and suggest ways to improve its ethicality.
3. A company gives television advertisement of its detergent in which it shows its competitor's product as too soft and easily removable from the cake by the gentle pressure of finger. Is it ethical? Give reasons.  
(Hints: 1. Not proven claims make it unethical. 2. It violates privacy and is not in good taste. 3. Advertisement should focus on merits of own product rather than weaknesses of a competitor's product.)

Debates on social utility of advertisement centered on the following issues:-

**(a) Deceptive advertisements**

Researches in the USA have found that generally Americans don't trust advertisements. A study by Mr. Banwari Mittal has revealed that less than 25% TV commercials are honest and trustworthy. In several cases advertisers make knowingly false claims without any independent credible certification. They fail to honor 100% discount offers and zero interest loan under the cover of 'conditions apply'. They fail to deliver award or prizes announced in their advertisement of promo contests or sweepstakes. Net and mobile advertisement are being increasingly used to dupe gullible people. However, a minor part of total advertisement expenditure by small and medium business is involved in it but social image of business and advertisement is tarnished by such malpractices. In several cases, deception arises due to faulty perception of the target audience where it becomes legally difficult to prove the charge of deception. Even it is more difficult to prove defamation, fraud, cheating for the purpose of Indian penal code.

**(b) Advertising as offensive or in Bad Taste**

A study by Ms. Shavit and others has revealed that about 50% respondents felt that their feelings are offended by advertisements at least sometimes. Most advertisements insult

intelligence of persons. Advertisements of personal care or hygiene products, condoms, sex tonics are usually in bad taste-obscene or vulgar sometimes. Savings, insurance, mouth wash, shampoos, hair oil are promoted through excess focus on fear element. Some advertisement of computer notepad, lap top, affect children in such a manner that parents will be compelled to think that without use of computer, laptop etc. their children would fail in school or probably become unfit in their future career or life. An area of major concern is promotion of bad goods like cigarettes, liquor and drugs through sexual appeals. Women are projected as sex objects.

Here the problem of proving nudity and obscenity will pose a challenge when it is excused as a question of mindset of the viewer. Obscenity lies in your mind rather than in a work of art.(advertisement)

### **(c) Advertisement Targets on Children**

Children are innocent and they become adamant for buying certain away by the effect of an advertisement. They become adamant for buying certain product under the influence of an advertisement. Parents may not displease them. If grandparents are living in a family, then grand children's effect in buying decision can't be avoided. That is why many products are promoted through advertisement targeting on children. Television advertisement has easy access to children's mind because children in the age group 2-11 years watch T.V. for an average of 21.5 hours a week. They see 22 to 25 thousand commercials a year. Most of the advertisements targeting them are persuasive. They have no capacity to understand and evaluate critically the purpose behind these advertisements. They can't differentiate between commercials and programs. They can't perceive the selling intent of commercials. They fail to distinguish reality from a fantasy. Therefore, advertisement targeting children are unfair and exploiting innocent minds for commercials purpose.

Steps have been taken by Network Censors and Industries Work. Bureau's Children Advertising Review (CARU). CARU has issued the following guidelines for advertisements addressed to children below 12 years of age:-

1. Advertiser have a special responsibility to protect children from own susceptibilities.
2. Advertisers should not exploit imaginative faculty of children. Unreasonable expectations of product quality or performance should not be stimulated either directly or indirectly by the advertisement.
3. Since children take education from advertisement the information communicated to them by the advertisement must be in a truthful and accurate manner. It must be fully recognized by the advertiser that the child may learn practices from the advertisement that can affect his/her health and well-being.
4. Advertisement should address itself to positive and beneficial norms like friendship, kindness, honesty, justice, generosity and respect for others.

5. It is primary responsibility of parents to guide their children. Advertisers should contribute to this parent-child relationship in a constructive manner.

**(d) Advertisement promotes materialism and makes people consume unnecessary things.**

Critics argue that advertisements promote materialism and consumerist values at the expense of intellectual and spiritual values. It makes people dissatisfied, greedy, selfish, egoist and angry. It makes marketing a tool of delivery of standard of living rather than standard of life. Good values like contentment and happiness fade away due to constant hammering on consumer mind of high standard of material living even if it is not affordable. One is prompted to borrow for it and make own life miserable. Housing loans promoted as 'Dream House' gets degenerated into a 'Bad Dream' when EMI payments eat into 90% of income. Car loans advertised as 0% interest may prompt you to buy new model of car when existing car is doing well. High-tech focus advertisement promotes unwarranted consumption through artificial obsolescence of durables like T.V. refrigerator, car, air conditioner washing machine, computer, mobiles, etc. Advertisements promote consumption of unwanted goods like alcohol, tobacco products, painkillers, tonics, food supplements, fast food, synthetics cold drinks. They may not have drinking water but are prompted to consume mineral water. They may not have capacity to purchase food grains but are promoted to consume bread and biscuits. Rich are motivated to buy multiple cars, T.V. and other durable goods.

**(e) Advertisement creates and perpetuates stereotyping**

Stereotyped projection of women and ethnic minorities and other socially and economically disadvantaged groups is a serious allegation against advertising. Adult women in the USA have been portrayed as passive, less intelligent, less credible and agreeing. Men have been projected as dynamic, constructive, autonomous and achieving. Thus, advertisements promote gender-bias, stereotyped projections of ethnic groups, like Negroes have also taken place in advertisement. They have not been used as brand ambassadors and models. In India also such stereotyping is found in T.V. and print media advertisement. Sikhs and South Indians are used to cut jokes. Tribals and rural people are projected as slaves of rich landlords and moneylenders. Thus, advertisements become tool of creating and perpetuating stereotypes in society.

**(f) Advertisements thrive on ambiguity, exaggeration and concealments**

Market is like a war theatre. Everything is fair in love and war. In cut-throat competition to increase market share and attain market leadership, advertisement is used as a weapon to kill rivals through ambiguity, exaggeration and concealments. A few examples of such misuse of advertising may be briefly cited here.

1. Continental Baking Company (CBC) advertised its Profile bread as its consumption will lead to weight loss. The fact was that the Profile bread contained the same calories per ounce as other breads. Each slice contained lower calories due to thin slice as compared to other bread slices. Federal Trade Commission (FTC) charged CBC of ambiguity in its advertisement and directed it to issue a corrective advertisement.
2. Advertisement led people to believe that Listerine mouthwash fights bacteria and sore throats. FTC directed Listerine to run a costly 'Disclaimer advertisement.'
3. A bank mentioned in advertisement that deposits are federally insured. In fact, deposit insured. In fact, deposit insurance was compulsory by law for all banks which was not mentioned in the advertisement. It was considered 'concealment of facts'.
4. Painkiller advertisement by Bayer concealed the fact for years that Anacin was nothing but Aspirin.
5. Manufacturer of vitamins, tonics, food supplement, magic drugs are notorious in making exaggerated claims without any credible certification in advertisements issued by them.
6. Advertisements by Coaching classes, astrologers, ayurvedic physicians and other occult practitioners are generally misleading. Same is true about matrimonial and placement agency advertisements.
7. A line of demarcation has to be laid down between puffery and intentional deception in advertising. Is it a case of mere verbal posturing or intent to sell through deception or exaggeration?

The American Advertising Federation (AAF) has laid down the following principles to be followed by advertiser to prevent misuse of advertising and minimize social cost involved:-

1. **Truth**

Advertisement shall reveal truly all the significant facts, the omission of which would mislead the public.

2. **Substantiation**

Advertisement claims shall be substantiated by evidence in possession of the advertiser and the advertising agency prior to making such claims.

3. **False claims**

Advertising shall refrain from making false, misleading or unsubstantiated statements or claims about a competitor or his products and services.



4. **Bait advertising**

Advertising shall not offer products and services for sale unless such offer constitutes a bonafide effort to sell the advertised products or services, usually higher priced.

5. **Guarantees and warranties**

Advertisement of guarantees shall be explicit and source of full text of details by conditions be clearly revealed in the advertisement.

6. **Price claims**

Advertising shall avoid price claims that are false or misleading or saving which cannot be proved.

7. **Testimonials**

Advertising containing testimonials shall be limited to those of competent witness who are reflecting real and honest opinion or experience.

8. **Taste and decency**

Advertising shall be free of statements, illustrations or implications that are offensive to good taste or public decency.

In India, similar principles be approved and implemented by self- regulatory bodies of advertisement industry. We have several laws to check misleading advertisement but their implementation is very poor. However, there is a welcome development in India. If you notice any misleading advertisement you can send complaint to ASCI through e-mail [asci@vsnl.com](mailto:asci@vsnl.com) for a cease and desist order.

**Check Your Progress- A**

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**Q1. Describe CARU Guidelines.**

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**Q2. “Debate on Advertisements Ethics centers on five major issues” Name them.**

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**Q3. Describe briefly AAF principles of ethical advertising.**

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## **16.4 ETHICAL ISSUES IN FINANCE**

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Finance is an area of major ethical concerns. Real test of ethical behavior arises when one deals with money and its equivalents, Accounting and financial reporting has become a tool of manipulations and financial frauds leading to major corporate disasters or collapse with wide-ranging unbearable fall outs for all the stakeholders. It has resulted into tightening of legal, regulatory and corporate governance norms. Financial scams and frauds make big global news regularly. Failure of Enron corp. in the USA and Satyam in India are still fresh in

our memory. Sub-prime crisis, global economic slow down are stark realities. Economists, finance experts, professionals (CA, CS, MBA's, and Advocates) have lost their credibility and social relevance. Financial regulation becomes a tool of corruption without holistic decision makers to lead them. The recent financial surgical strike in the form of Notebandhi and drive against black money have blackened their faces. How many of such VVIP's will be put behind bars? The time will answer this query. But one thing is very clear that finance and ethics are bad fellows and highly professionals with poor ethics, poor respect for law and social interest are very dangerous for the nation. Irrational behavior rules in the vital area of finance. Capitalism has degenerated into crony capitalism (nexus of corrupt Businessmen, bureaucrats and political Leaders) defrauding the nation through 2G, Spectrum and Coal gate scandals and crèche capitalism in the forms of bailout packages to UTI, banks and other financial institutions from public exchequer to save economy from collapse. Even private sector has been bailed out at public cost. Our banks are saddled with NPA'S to the tune of Rs.12 lakh crores! Now corporate social responsibility through legal mandation is being tried. Corporate Governance Norms, systems and procedure have been improved through new Companies Law, 2013. But simply body is toned-up by putting it on ventilator. CSR and conscience capitalism are masks to hide rabid capitalism. Soul is still missing. We have to develop holistic decision – makers. It requires a long term transformational educational effort with spiritual dialogues ( para – vidya) in self Management, self control or self –regulation or self – discipline (sanyam).

A few burning issues in Finance are briefly discussed now.

### **Ethics in Finance**

Finance is an area of major ethical concerns. Real test of ethical behavior is performed when one deals with money and its equivalents. Accounting manipulations and financial frauds and scams, scandals make big news globally. Failure of Enron Corp. sub-prime crises, global crises, failure of agency theory, failure of classical theory of economic analysis-rational decision – maker and emergence of behavioral finance theory in its place are leading issues being debated. Free market theory of capitalism is under threat from crèche capitalism where big business is protected by subsidy from public funds and conscience capitalism where corporate social responsibility acts as a oxygen mask for survival of capitalism and crony capitalism where corruption is practice by connivance and sharing of undue gain by business, bureaucrats and politician nexus.

1. Accounting and finance are inseparable. Accounting provides inputs for financial decisions (investment decision, financing decision and dividend decision). Accounting measures implications of financial decisions. Accounting is a positive tool in the hands of financial decision – makers. Quality of finance people. The leading firms of public accountants like Arthur Anderson and PwC have been found lacking in professionalism in case of Enron Corp. of USA collapse and Satyam Corp.

case respectively. Serious doubts and concerns have been raised on credibility of auditors, bankers, investment advisors, rating agencies. Do these professionals serve any social good?

2. There is increasing emphasis on uniform / harmonized accounting standards to facilitate growth of global business. International Financial Reporting Standards (IFRS) will be introduced. Corporations have been treating overseas investor and domestic investor differently in the matter of content and quality of accounting disclosures. After IFRS, it happens smoothly. There are reservations on utility of mark to market valuations of assets. Problem of verifiability will be there. Change of character of accounting from measurement and record to valuation is open to debate. It may lead to more accounting and financial manipulations if historical cost objective basis is replaced by market price valuation of assets.
3. Different set of accounting reports for shareholders, lenders, management, regulators, tax authority's smacks of manipulation and reduces credibility of such reports. Now Extensible Business Reporting System (XBRL) is introduced and this problem will get resolved. Actual implementation will call for ethical courage and technical updating.
4. Introduction of unified goods and services tax (GST) from July 1, 2017 will solve problem of black money generation through purchase of inputs without bill and sale of products without bill. Systematic accounting, billing and on line return filing and on line tax payment system will solve the problem of corruption and black money to a big extent. It demands high ethical courage from all the players involved in the game. Long delay in its implementation is a sign of grip of vested interest groups.
5. What type of regulation may be effective in finance? The theory of rational decision - maker has failed. Individuals are guided by psychological behavioral traits like selfishness, greed, lust, ego, envy. We are in search of reasons for financial frauds, scams, corruption and manipulations. Individual integrity, loyalty, honesty, assumptions hardly work in actual practice. What can regulate financial behavior – free market forces, law, self regulation – are all subject to serious doubts and debates? It is being seriously debated whether deregulation and decontrol has any place in finance. Deregulation does not make finance people really ethical unless they are self – regulated and self controlled. The claim that deregulation and opening of economies will bring down corruption is also being challenged. Super unified financial regulatory body's utility is also debatable. Will it affect autonomy of regulatory bodies due to political dominance?

6. The rational assumption of self seeking (egoist) agency theory is being challenged by behavioral school of thought. Traditional value assumption of trustworthiness, loyalty, fidelity, stewardship and concern for others as foundation of principal-agent relationship are no more valid. We have rank careerist and job hoppers who suffer from selfishness, greed and myopic view of bottom line top line. They cut necessary expenditure or resort to unwarranted change in accounting policy of depreciation, inventory valuation to bolster bottom line in order to get more commission on net profit in addition to fixed salary. After a few years the company falls sick and evil consequences of accounting and finance myopia becomes visible. Now the very assumption that principal and agent both are rational self seekers is found operationally not feasible. Therefore, now – a – days, corporate governance is called upon to devise a system of resolving conflict of interest by motivation, incentives and punishment schemes. Conflict of interest must be disclosed and interested person must not participate in decision making.
7. A spreadsheet has no conscience. Accounting and finance experts have ways and means to tally numbers on spread sheets in any way they select. Auditors, bankers and others. Experts can be purchased for a price. It is the cause of major concern that how to safeguard interest of various stakeholders in such an unethical environment. Now – a – days several companies are publishing their code of conduct or code of ethics to make them aware of their public accountability. Now it is realized that much will depend on value leadership of the company.
8. Recent global crisis in the USA and Europe has led to collapse of trust in financial system, regulators, banking, rating agencies, business leaders, investment adviser, bureaucrats, political leaders, media and process of liberalization, privatization and globalization (LPG). This is happening in India recently due to 2G spectrum scandal, Common Wealth games scandal and Adarsh society scam where big names from all walks of life are involved. Experts have misused securitization and derivatives and lending authority just to maximize commission and bonus. They have not shown any shame for subprime crisis.
9. Banking is operating on privatization of profit and socialization of costs/losses. ‘Too big to fail’ syndrome prompted finance people to take high risk which otherwise could not be taken. Bail out of such bankers at public cost is a debatable issue. In India also PSU banks and UTI have been bailed out from public funds. Growing NPA has become a headache. Willful defaulters go scot free and micro borrowers are persecuted.

10. Insider trading is a big issue in Indian capital market. SEBI penalized Directors for insider trading but the company law deptt. let them off the hook. Strict control of insider trading is required in India for healthy growth of capital market.

11. Role of representative of financial institutes on corporate boards, corruption in lending decisions, role of FII and PE funds are other areas of ethical concerns in finance area. Role of cooperative Banks and NBFC's in money laundering has been revealed now.

12. The future of MBA (finance) is being debated in view of dirty role played in sub-prime crisis by holders of this degree. The very foundation of financial decision – maximization of value of company on the basis of EPS growth is being challenged. Can profit be maximized? Search of new theory of finance has started.

13. In India nobody wants to pay taxes honestly. This is against social equity. Govt. tax machinery is corrupt, inadequate and inefficient. Frequent use of VDS goes against equity and justice. Tax reforms are a big issue. Use of technology is being resorted to check corruption. Pradhan Mantri Yojna is a big step towards financial inclusion. But these accounts have been misused to park black money when demonetization was carried out. Micro finance through self-help groups of women is a good step in financial inclusion. But SHG's have political overtones.

### **Creative Accounting – its role in corporate scandals**

Creative accounting is the application of accounting standards to arrive at a predetermined outcome in accounting statements – Net Profit, Net Worth, EPS etc. to serve ulterior selfish motives arising out of greed for money. Such an application of accounting is unethical but not necessarily unlawful. This is done by trusted executives in collusion with CFO, Statutory Auditors, Bankers and Stock Brokers and inter – connected corporate allies / non – corporate allies. Very complex methods of insider trading and diversion of funds may also be resorted to. Such notable corporate scandals recently revealed are available on <http://en.wikipedia.org/wiki/accounting-scandals>.

The usual tools and techniques of creative accounting are overstatement or understatement of revenues, overstatements or understatement of expenses, overvaluation or undervaluation of assets and liabilities, off – balance sheet items, etc scandals are 'tip of iceberg' of wide-spread use of creative accounting in corporate world. Only catastrophic failures are reported and then investigations are launched by regulatory bodies like SEBI in India and SEC in the USA. Creative accounting application is mostly legal or quasi-legal in most of the cases. Hence, it goes unpunished in such cases. Sometimes, influential criminals are let off for the want of witnesses and proof of damage.

The globalization has led to A & Ms (Amalgamation and Mergers) and take over as part of financial re-engineering and strategic financial decisions. The modus operandi of corporate frauds in such cases via creative accounting is briefly explained here under:

- (1) The CEO of X company engineered collapse of its market price of shares by overstatement of expenses and deferring revenue booking to next year, use of off balance sheet items to show poor financial results and spread of negative news about pessimistic estimates of future expected EPS. The abnormally low share price made the company a takeover target. The takeover artist was benefitted immensely at the cost of previous shareholders. The former CEO was richly rewarded by the takeover artist with golden handshake for presiding over the fire sale.
- (2) Privatization of public enterprises as part of disinvestment policy of the Govt. also offers such opportunity to politicians and bureaucrats to make big fortune. Top executives in partnership with them will resort to creative accounting tools to make the public enterprise appear in deep crisis. The private buyer will get the ownership at a scrap price and reap windfall gain and share it with CEO, politicians and bureaucrats. General public and policy makers will be made to believe that the public enterprise is in deep crisis and privatization is the only remedy. The private buyer will engineer a turnaround of it and resell it at a hefty gain. It is done through understatement of expenses and overstatement of revenues, overvaluation of assets, and undervaluation of liabilities, retrenchment of employees to reduce wages and salary cost and projecting optimistic future EPS. This jacks up share price for resale with big gain.
- (3) When CEO gets commission based on net profit in addition to salary, he develops an accounting myopia. He will resort to cost reduction of discretionary expenses like R & D, marketing, training and development which will show short term growth in net profit but long term high salary when short term growth is reported. The new CEO will pay for the sins of such smart CEO who does not see beyond his short tenure selfish motives.
- (4) Employees stock options (ESOP) accounting is still not well settled. It has been taken at nil cost in lieu of salary cost. This has artificially increased EPS leading to increase in market price of shares when company actually incurred loss. It was followed by crash in market price of shares resulting into huge loss to shareholders and threatening the very survival of the company. Thus, ESOP accounting has been misused in corporate scandals.
- (5) Derivatives accounting and investment accounting are grey areas of accounting which have led to big corporate collapse in the USA. Mark – to-market valuation



or fair price valuation have led to reporting big losses leading to collapse of an enterprise.

- (6) Inventory valuation, depreciation accounting, reserve accounting are other grey areas of accounting which help in playing with accounting figures without violating accounting standards.

Application of accounting in corporate scandals compels us to call it ‘Dirty Accounting’ rather than creative accounting. It is unethical and unsustainable, though not unlawful mostly. Any expert or professional without commitment to ethics is a danger to the society. Those who are ethical in Finance are rare and unwanted. They may be ethical in any other area of management. Finance puts ethics to critical test.

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## 16.5 ETHICAL ISSUES INVESTMENT

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Every nation has its macro level priorities. For example. India has priority to develop power sector, global competitiveness through technology up gradation, rural and agricultural development, development of food processing industry, creation of employment and self employment opportunities, minimizing bad impact on environment etc. It is the ethical duty of every businessmen to invest in areas of macro level priority. Another ethics in investment is to carefully analyze project feasibility on four counts.

- (1) Technical feasibility
- (2) Economic feasibility
- (3) Commercial and financial feasibility, and
- (4) Social feasibility. For example, this must be ensured that expected return on investment is not less than cost of capital over period of time. Investment must result into value – addition to various stakeholders. Not only financial return but the overall social rate of return must also be optimized.

When we consider ethics of investment advisors, the SEBI is making it professional now. One must comply with SEBI guidelines. For example, ethics demand that investment advice must be given an area of competence only. Thus, LIC agent should not give advice in general insurance field. Mutual fund adviser should not advise in project finance. Professional competence and its application with due diligence are required. Interest of client must be supreme in the mind of adviser. No advice be given by an adviser where any stake other than the prescribed fee is involved. Investment analyst must not carry out analysis and give advice on investment in shares of a company in which he himself has shareholding. Ethics demand continuous updating of professional knowledge. Transparency in the dealing with client must be ensured. No hidden cost, hidden gains and hidden agenda or objective should be there.

Misrepresentation of professional competence and solicitation of client is not permissible. It must be avoided. The investment adviser should first understand the investment objectives of the client and then offer the required products in an objective way. An example of unethical behavior is hyper marketing of hybrid and complex products of insurance plus mutual funds, derivatives etc. Guarantee of minimum return in mutual fund is unethical and unlawful. Money doubling schemes are also fraudulent and unlawful. Several gullible greedy investors lost money due to such ponzy schemes. Marketing of insurance products by banks is violative of ethics as has been revealed by cobra post in case of three private sectors banks of India. Bankers are using insurance products as a tool of safe corruption in lending decisions. It is unethical.

The burning issue of ethics in FDI is use of obsolete technology, charging high fees and royalties, exploiting contract about, high-handed land acquisitions massive tax evasion by MNC's in host country, civil influence on govt, policies draining money from India through liberal dividends for long period of time, security risk in key industries and location in border areas. Foreign investment via Mauritius route is a very popular tool of tax evasion. Delay in implementation of GAAR shows complicity of Govt. authorities in the dirty game of tax evasion through black money parked in tax havens by Indians. Panama papers are yet to be acted upon.

FII investment in stock market is very risky. It adds to volatility and risk in stock market investment.

Our business leaders invest even in China but not in India. They evade tax by opening shell company. Large number of shell companies have been found involved in money laundering. Several big politicians have promoted these companies. Big people lack nationalism but put blame on small people for problems of the nation. The COMPANIES (amendment) Bill, 2017 has been moved to ban shell companies and to improve corporate governance in general.

Management of funds by NGO's and political parties lack ethics and accountability. No accounts, no audit, no RTI apply to political parties. They are vehicles of black money. Public funding for election and several electoral reforms are still hanging. Several inactive and non traceable political parties have been used as tool of money laundering.

Menace of Benami property has unimaginable gigantic proportions. Now the Govt. has started applying Benami property Act to confiscate such properties.

Thus, FID, FII, Indian MNC's, NGO's, political parties all are involved in unethical and unlawful investment decisions. Even temple trusts and educational trusts are not free from this disease. Construction, real estate jewellery, export-import houses are found involved in tax-evasion, money laundering and unethical investment. Games and sports people are found involved in Match fixing, betting, etc.

Investment is an area where lot of efforts for creating ethical awareness and fear of law, love for country and social commitment are called for.



### ***Check Your Progress- B***

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**Q1. State five major ethical issues in finance.**

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**Q2. Define Creative Accounting. Give two examples of its misuse.**

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**Q3. Briefly state three major ethical issues in investment**

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## **16.6 ETHICAL ISSUES IN TECHNOLOGY**

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Pure science has no ethics because it is positive science. However, technology impacts society in a significant manner. Therefore, ethical behavior is demanded in the field of technology. But it must be ensured that the technology transferred to developing nations is really useful to them and it is most modern and not outdated or obsolete. Its cost must be reasonable and affordable. Infact, developed countries are exploiting third world countries by charging unreasonable prices and royalty payments. They are providing outdated technology. In several cases, it amounts to transfer of social cost (pollution) from developed world to under developed world. These unfortunate countries are used as graveyards of outdated technology. We may briefly discuss ethical issues in a few burning areas of technology.

### **1) Cloning Technology**

Cloning is opposed on several ethical grounds. Use of clones for medical transplant will carry problem of fast ageing. It carries great medical process, may lead to development of cloning babies which is not legally allowed. Cloned babies may pose seriously threat to social life. Infertile couples may go for cloned babies. An illegal black market of human clones may emerge. American Medical Association has opposed cloning on the grounds of unknown physical and psychological harms, violation of autonomy and privacy of individual, adverse impact on family and society relationship and effect on the human gene pool.

### **2) Patenting Technology**

Globalization involves protection of intellectual property by patenting. Ethics demand that spurious claims to patenting in developed world on Indian heritage of yoga, meditation, ayurveda, herbs, spices, etc. be challenged. Patent attorney must not take care of economic well – being of client only but interest of society, specially developing and underdeveloped world be taken due care of.

### **3) Nuclear power**

Natural calamity in Japan must be an eye-opener for India. Whether nuclear power generation will be safe of earthquake and tsunami type calamities? Safety norms of nuclear power stations must be reviewed and norms for damage compensation be revised upwards. Nuclear sale may be pressing commercial need of the USA facing economic slowdown. But its social cost – benefit analysis be carried out carefully and its utility for India where lot of alternative energy resources are untapped, must be established beyond any

doubt. Tamil Nadu and Maharashtra are facing public agitations against establishment of nuclear power plant. This may happen in other part of the nation. Public acceptability of such plants must be ensured first. Nuclear power generation must not risk public safety. Cost and price of nuclear power must be affordable for consumers.

#### **4)Information Technology**

Application of I.T. to net banking, plastic money and ATM had led to misuse and frauds. Personal information given by customers is not safe. Unauthorized withdrawal of money takes place and account holder is put to great trouble to get relief. Privacy and security concerns are increasing. Phishing (taking unauthorized information is a serious problem. Hacking attack by China poses danger to world peace.

#### **5)Telemarketing and Mobile problems**

Telemarketing and mobile use by marketers is causing serious problem in the area of privacy and individual freedom of choice. Individuals are disturbed at anytime and anywhere without their prior consent. Balancing of work and personal life has become difficult leading to more stress. Ethics must be laid down for use of telemarketing, Mobile and social networking. Excess use of social networking poses threat to job security and harmony of relationships. Adverse personal, family and social effects of technology must be minimized through laying down ethical norms for service providers and users.

#### **6)Technology up gradation.**

Genuine technology up gradation and planned obsolescence is welcome from the view – point of competitive advantage. However, this is not the case when new tech and high tech are used as marketing gimmicks to motivate buyers to go for unjustified replacement of assets. Ethics demand that such misuse of technology up gradation be prohibited. Computer industry, automobile industry, Mobile industry, T.V. industries are few glaring examples of exploiting buyers through new technology products marketing.

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## 16.7 SUMMARY

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Ethical guidelines given by Hymen and others will help in detecting unethical aspects in an advertisement. Compliance with AAF principles of advertising will make advertisements ethical. Finance and ethics are bad fellows. Finance is the critical test of ethics.. Creative accounting has been misused as a tool of corporate scams and frauds leading to collapse of big corporate and consequent global economic crisis. Increasing agency cost due to conflict of interest,insider trading A&M are major cause of concern. Is self regulation the only way out? Investment advisors, insurance agents and brokers and other agencies related to investment need ethical dose. Serious ethical issues of public interest have cropped up in various fields of technology like cloning, patenting, nuclear power, information tecknology, mobiles and tech upgradation etc.



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## 16.8 GLOSSARY

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**Creative accounting** is the application of accounting standards to arrive at a predetermined outcome in accounting statements – Net Profit, Net Worth, EPS etc. to serve ulterior selfish motives arising out of greed for money.



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## 16.9 SUGGESTED READINGS

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1. Khandelwal.n.m.; Ethics and Indian Ethos In Management-Text and cases,Pacific University, Udaipur, ch.7.
2. Business standards, Economic times, Financial express and Business Line dailies.
3. Business world and Business India magazines.



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## 16.10 TERMINAL QUESTIONS

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Q1. What are the major current ethical issues in advertising? Explain with examples.

Q2. What the tests of ethics in advertisement are as laid down by Hymen and others?

Q3. In the U.S.A. American Advertising Federation (AAF) laid down principles of advertising to prevent its misuse. Explain these principles.

Q4. “Finance and ethics are bad fellows.” Explain this statement with the help of our experience during the period of demonetization in India in 2016

Q5. What are the burning ethical issues in Finance?

Q6. Define creative accounting. Explain its role in major corporate scandals.

Q7. Write an essay on ethics in technology.

Q8. Write short notes on the following:-

- (a) CARU Guidelines for advertisement addressed to children below 12 years of age.
- (b) ASCI
- (c) Financial regulation
- (d) Failure of agency theory ( conflict of Interest)
- (e) Creative Accounting
- (f) Ethics in FDI and FII investment.
- (g) Ethics in marketing of financial services products.
- (h) Ethics in cloning Technology.
- (i) Ethics in Information Technology.
- (j) Ethics in GM Food.
- (k) Cretches capitalism and crony capitalism. (Ethics in capitalism).





## 16.11 CASE LETS

### Case No-1: GM Foods

GM foods or GMO's (Genetically modified organisms) refer to crop plants created for human or animal consumption using latest molecular biology technology. These plants are modified in laboratories through non-conventional breeding. GM foods are resistant to insects and viruses. It has high tolerance to herbicides. Govt. regulation aims to ensure that GM foods are safe and nutritious like natural foods.

The safety of GM foods is still debatable. The problem of monopoly of MNC's to exploit farmers by costly seeds is very much there. Use of animal genes in plant foods will pose ethical and religious problems. GM organism patenting will lead to commercialization of food.

GM foods may involve environmental hazards. It may cause harm to other organisms. It may reduce effectiveness of pesticides. It may cause stomach disorders in humans. Cost of farming will go up due to new seeds to be purchased every year at exorbitant price. Crop failure leads to suicide by farmers due to debt burden. Genetic engineering of plants, animals and humans will pose serious ethical and religious issues.

### **Question**

#### **Q1. Discuss Pros and Cons of GM Food Technology**

### Case 2:- Biggest Cyber Attack

Vercy has locked 2.27 lakh computers in 150 nations of the world. Another cyber attack is feared soon. 70% ATM windows XP are very easy targets. Defense, Banking, Stock Market will be targeted now. Don't click on doubtful links. Even if your computer is locked, don't pay ransom money to hackers. There is no guarantee that you will get the key. Follow the preventive precautions carefully (i) first check anti-virus and window patch. Don't click on doubtful links. Don't open such attachments. . Don't download them. Use pen drive after scanning it. (ii) If virus attack starts, you immediately remove network cable to protect other computers in office. Shut down your computer in office. Shut down your computer immediately. Ransomware attack is feared.

### **Question**

#### **Q1. Discuss computer Technology ( I.T.) ethics.**

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## UNIT 17 GANDHIAN APPROACH IN MANAGEMENT

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### 17.1 Introduction

### 17.2 Objectives

### 17.3 Who is Leader?

### 17.4 Gandhi and Leadership

### 17.5 The Theory of the Purusharthas

### 17.6 What constitutes Gandhian Ethos of Management?

### 17.7 Summary

### 17.8 Glossary

### 17.9 References

### 17.10 Suggested Readings

### 17.11 Terminal Questions

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## 17.1 INTRODUCTION

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Rajmohan Gandhi beautifully described “Strange yet wise, hard with many, hardest with himself and yet twinkling, drawn instinctively to Truth and preserving in love, his life a fuel for lighting up human suffering, obstinate at times and hazardously sure of himself, Gandhi was with all that, India’s good boatman, and through the twentieth century a spark for consciences across the world.”

What breath is to life, Gandhi is to humanity and civilization.

“... As long as there is strife, hostilities, ethnic cleansing, religious unrest, internal conflicts and threats of military occupation, people will turn to Gandhi. His usefulness will not end unless conflict ceases.”

One can reveal that the major problems the world, many nations, corporations and communities suffer today are due to their leaders forsaking the path of Truth, justice, and non-violent conflict resolution in pursuit of national, corporate, religious or personal agendas. The consequences are in front of us.

The imperative need for trustworthy leaders of integrity in all walks of life has never been greater than now. And Gandhi is the best example.

From management perspective, Gandhi was an icon in the past, remain icon today and will remain icon in future.

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## 17.2 OBJECTIVES

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After reading the unit, you will be able to understand about;

- Qualities of Leader
- Gandhi and leadership
- Theory of the Purusharthas
- Gandhian Ethos of Management

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## 17.3 WHO IS LEADER?

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Leader means who can lead himself and nation.

For Ralph Waldo Emerson “Great are they who see that the spiritual is stronger than any material force, that thoughts rule the world.”

John Maxwell, the American Management guru, gives the following requirements as “indispensable qualities” a leader must have to become “the person others will want to follow”. These are: Character, charisma, commitment, communication, competences, courage, discernment, focus, generosity, initiative, listening, passion, positive attitude, problem solving, relationships, responsibility, security, self discipline, servanthood, teachability, and vision.

British Field Marshal Bernard Montgomery define leadership as – Leadership is the capacity and will to really men and women to a common purpose and the character which inspires confidence.

A leader must know where he wishes to lead his people and how he intends to get them there. Besides he must lead them into a better rather than a worse scenario in which they are placed. For this, besides vision, he will minimally need character, charisma, compassion, courage, dedication, determination, communication, organisational, managerial and strategizing skills, magnanimity, self assurance, enlightened patriotism and a wide spectrum world view, so as to inspire and lead his people, beyond traditional political, economic, scientific, social, religious or ideological confines and leave a permanent imprint on history. The more enduring and beneficial that imprint, the greater the societal, national, global and intellectual landscape over which it is felt, and the more accurate his/her vision of the future, the more outstanding the leader he/she is.

Leaders who inspire, and command universal respect are those who espoused right rather than might, and truth, justice and non-violent conflict resolution rather than hate, violence and war.

Leaders always left an indelible imprint on history, big or small, favourable or infavourable, local, regional or global.

Lincoln said – “Let us have faith that right makes might, and in that faith let us to the end, dare to do our duty as we understand it”.

Napoleon’s words, uttered at his remote St. Helena island prison are significant. “Glory is fleeting, obscurity is forever. A new Prometheans, I am chained to a rock to be gnawed by a vulture... There are only two powers in the world – the spirit and the sword. In the long run the sword will always be conquered by the spirit”. Hitler’s worlds are notable for a contrary reason “The victor will never be asked if he told the truth”, so also are Churchill’s.

In war, every Truth has to have an escort of lies” and Mao’s “power grows out of the barrel of a gun”. Similarly, in today world end justifies the means not means justifies the means. But the hard reality of life is truth alone will win in the last.

Nobel Laureate Desmond Tutu in his lecture “Is there hope for humanity” at Indian Institute of Science, Bangalore in December 2005, stated “Even in hardnosed cynical cultures it is amazing that those we admire, indeed reverse, are not the macho, the aggressive, the successful. No, the people we hold almost universally in high regard are Mahatma Gandhi, Martin Lullur King Jr., the Dalai Lama, Mother Theresa, Nelson Mandela and why? Because they are good we have internal antennance which home in on goodness because we are created for goodness, for love, for gentleness, for compassion, for sharing, we are almost the ultimate paradox, the finite created for the infinite”.

Judging by the magnitude of their, respective achievements and the historical and inspirational impact each of them have made, Gandhi emerges the tallest among the world leaders. In a century that has the awesome distinction of being the most violent in history he confronted, non-violently, the largest, most powerful empire and secured freedom for India, which them had a fifth of the world’s population, and induced broad spectrum political, economic, and social change within it. Gandhi inspired non-violent people’s struggles which achieved decolonization worldwide, ended racial oppression in USA and South Africa and terminated dictatorships in Poland, Rumania, Czechoslos, Czechoslovakia, East Germany, Latvia, Lithuania, Philippines Russia, Chile, Serbia, Georgia and Ukraine.

Louis Fischer writes: “The big names of recent history: Churchill, Roosevelt, Lloyd George, Stalin, Lenin, Hitler, Woodrow Wilson, the Kaiser, Lincoln, Napoleon, Metternich, Talleyrand etc., had the power of states at their disposal. The only non official figure comparable to Gandhi in his effect on men’s minds is Karl Marx whose dogma, however, was a prescription for a system of government. One has to go back centuries to find men

who appealed so strongly as Gandhi did to the conscience of individuals. They were men of religion, in another era.

Gandhi showed that the spirit of Christ and of Buddha and of some Hebrew prophets and Greek sages, could be applied in modern times and to modern politics. He did not preach about God or religion; he was a living sermon. He was a good man in a world where few resist the corroding influence of power, wealth and vanity.”

To make right choices leaders need to have deep understanding of the lives and ideas of the world’s great moral philosophers and of those who have applied them to solve some of its most difficult problems.

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## 17.4 GANDHI AND LEADERSHIP

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The global scenario has changed enormously in the last century. Almost all countries are now independent and rule themselves. Modern technology has shrunk the world. Travel across it that took months and weeks is now completed in hours. Voice, text and pictorial message are transmitted in split seconds anywhere in the world.

The need for a clear concept as to what constitutes enlightened and trustworthy leadership in the contemporary world, and a suitable model for it, is therefore as great as it is urgent.

Gandhi succeeded in getting the Indian National Congress, and the Indian people, to adopt his non-violent strategy for national liberation only because of his total identification with the poverty stricken Indian people, high moral stature, innovative communication, management and strategizing skills and the impressive results his Satyagraha campaigns produced 1920 onwards.

The components of Gandhi’s Leadership:

- (a) Vision
- (b) Courage and Character
- (c) Compassion, dedication and determination
- (d) Communication skills
- (e) Organisational skills and Charisma
- (f) Strategizing Skills
- (g) Management Skills
- (h) Magnanimity
- (i) Self assurance
- (j) Enlightened Patriotism and Nationalism

## (k) Broad Spectrum World View

Vision: Gandhi often quoted the Bhagavad Gita's core philosophical assertion 'Satyanasti paro Dharma' – There is no greater duty than adherence to Truth.

"Three fourths of the miseries and misunderstandings in the world would disappear if we step into the shoes of our adversaries and understand their standpoint". Justice also requires that the final agreement made be acceptable to all concerned.

Courage and Character: The key to understanding Gandhi's transformation from extreme timidity to fearless leadership is to be found in the evaluation of his spiritual make up. He had been brought up as a devout Vaishnava Hindu and remained a life long devotee of Lord Rama.

For Gandhi non-violence is "the weapon of the really brave" and "He who fears, fails".

"They may torture my body, break my bones, even kill me but then they will have my deal body, not my obedience".

"You do not know what a coward I was when I was young. I am not quite a coward today. Multiply my example and you will have one whole nation shaking off its cowardice".

Compassion, Dedication and Determination: Gandhi's compassion is clearly seen in his constant focus on the oppressed and impoverished. He himself empathized with them, dressed like them and after 1917 even lived like them in a mud hut, though brought up in comparative luxury in his youth and held a British legal degree.

"I shall work for an India in which the poorest shall feel that it is their country, in whose making they have an effective voice".

His compassion is also testified by the "talisman" he gave to India's nationalists.

*"Whenever you are in doubt, try the following expedient. Recall the face of the poorest and the most helpless man who you have seen and ask yourself whether the step you contemplate is going to be of any use to hi. Will he be able to gain anything by it? Will it restore to him control over his own life and destiny? In other words will it lead to self rule for the hungry and spiritually starved millions of our countrymen?"*

Gandhi's compassion, dedication and determination are all embodied in his visit to Calcutta to stem the communal killings there rather than be in New Delhi to participate in the Independence Day celebrations in New Delhi on August 15<sup>th</sup>, 1947. "The interior voice tells me to go on fighting against the whole world, even though I am alone".

His favourite hymen during all such periods of crisis was Tagore's 'Ekla Chalo Re', which is English translation reader as under:

*"If no one listens to your call, walk alone. it in fear, they cower mutely facing the wall, O hapless one, one your mind and speak out alone".*

James K. Mathews commends Gandhi's determination thus "In great part his secret of leadership was in his strength of purpose. He was ever and ever restating it so that it might be clear to himself and to his associates".

Communication Skills: Nehru described Gandhi's impact that: "His voice was somehow different from the others. It was quiet and low and yet it could be heard above the shouting of the multitude; it was soft and gentle and yet there seem to be steel hidden away somewhere in it... we did not quite know what to make of it but we were thrilled."

Strategizing Skills : Good leadership also requires excellent strategizing. Gandhi proved a genius at it. Erik Erikson, Krishanlal Sridharani and Richard Gregg have described Satyagraha as "militant non-violence", "war without violence" and "moral jiu-jitsu" respectively. About Gandhi's militancy Mark Jugensmeyer has written – "Gandhi was a fighter". Whatever else one might say about him – that he was a saint, a clever politician, or a "seditious fakir". In fact his approach to conflict resolution is one of Mohandas Gandhi's enduring legacies".

Judith Brown extols Salt March as "a superbly ingenious choice".

For Frances Harper: "Gandhi's most important contribution to the theory of non-violence was his insistence that the resisters must keep the initiative at all times. While the opponent must be given ample opportunity to consider the proposals, he must not be allowed to ignore them. Gandhi fully understood that half the battle, indeed often the most difficult part of it, is to convince the opponent that he must deal with the resisters".

Management Skills: The prime management elements in Gandhi's satyagrahas, padayatras, fasts, prayer meetings and negotiations with political rivals and the British rulers were transparency, methodical and humane approach, and insistence on ethical means to achieve the desired objectives.

Gandhi said – Secrecy aims at building a wall of protection around you.

Magnanimity: Gandhi's magnanimity is best seen in his forgiveness of those who hated, reviled and attacked him. On four separate occasions he was attacked – in Durban in January 1897, in Johannesburg in January 1908, in Pune in June 1933 and in New Delhi on January 22, 1948 (when a bomb exploded at his prayer meeting). In every case he forgave his attacks and insisted they should not be prosecuted. His statement after the arrest of the Pathans involved in the Johannesburg attack was typical: "They should be released: They thought they were doing right and I have no desire to prosecute them".

Gandhi said – "As long as women do not come to public life and purity it, we are not lively to attain Swaraj. Even if we did, I would have no use for that Swaraj in which women have not made their full contribution".



Independent India's new leaders and its Constitution makers ignored Gandhi's idea of a village based democracy of "concentric circles" and minimal state control of the economy. They adopted Westminster style parliamentary democracy and a Fabian Socialist planned economy. The country has paid a heavy price on both counts. Gandhian democracy, with indirect elections to the district, state and national "panchayats" would not have needed expensive electioneering which has become the most fecund cause of corruption in India. And the result is violence and violence related things are increasing. Naxalism and terrorism are spreading their wings in every parts of India and posing threat to Indian states. Therefore need of is:

Think different

Find Purpose, the means will Follow.

"Each of us must be the change we wish to see in the world" Gandhi urged.

"Yatha raja, thatha praja"

(Like King, like subjects).

The inspiring words of Henry Adams "A teacher affects eternity. He can never tell where his influence stops"; of Abraham Lincoln to his son's teacher: "Teach him to listen to all men, but teach him also to filter all he hears on the screen of Truth and take only the good that comes through" and of Gandhi "To secure real peace in the world one has to start with the children" are excellent leadership beacons for all those in the teaching and knowledge professions.

Gandhi's transformation from trembling timidity to fearless leadership through steadfast adherence to truth and extensive reading of the sacred books of all the great religions and those written by and about the world's great thinkers, is the best path for students aspiring to be leaders, to follow.

David Hardiman writes – "They stand for a human spirit that refuses to be crushed by the 'Leviathan' of the modern system of violence, oppression and exploitation. They aspire for a better, more equitable and non-violent future. In them, Gandhi – their model – still lives".

The age old maxim of "Ekam Sat Viprah Bahuda Vadanti" has been greatly tarnished.

Gandhi's words: "I reject any religious doctrine that does not appeal to reason and is in conflict with morality" and "Independent India as conceived by me will have all Indians belonging to different religions, living in perfect friendship" are good leadership beacons for them.

Finally, for every man and woman, of whatever faith, community, nationality, or station in life, Gandhi's words "Real Swaraj will come not by the acquisition of authority by a few, but by the acquisition of the capacity by all to resist authority when it is abused. In other words, Swaraj is to be obtained by educating the masses to a sense of their capacity to regulate and control authority" are a clarion call to leadership.

Truth, justice, love and peace are basic elements in all religions traditions as the following excerpts from their sacred scriptures reveal:

"Truth is victorious, never untruth, Truth is the way;

Truth is the goal of life, Reached by the sages who are free from self will."

Mundaka Upanishad (3.1.6)

"That one I love who is incapable of ill will, who is friendly and compassionate, living beyond the reach of I and mine, And of pleasure and pain, patient, contented, self controlled, Firm in faith, with all his heart and all his mind Given to me. With such a one I am in love".

The Gita (Chapter 12, verse 13).

"The force of arms cannot do what peace does.

If you can gain your desired end with sugar, why use poison?

What sensible man would abandon his bale of cotton.

For fear of having to pay a toll on it?"

Nitivakyamrta (344-50).

There are ten strong things,

Iron is strong but fire melts it;

Fire is strong but water quenches it;

Water is strong but the clouds evaporate it;

Clouds are strong but the wind drives them away;

Man is strong, but fears cast him down;

Fear is strong but sleep overcomes it;

Sleep is strong yet death is stronger;

But loving kindness survives death.

- The Talmud

“May peace triumph over discord, may generosity triumph over niggardliness  
May love triumph over contempt,  
May the true spoken word triumph over the false spoken word,  
May the truth triumph over falsehood”.

- Zoroastrian Yasna 60.5

“Blessed are the peacemakers for there shall be called children of God”;

- The Bible: Mathew 5, 9

“I laugh when I hear that the fish in the water is thirsty,  
You do not see that the real is in your home,  
And you wonder from forest to forest listlessly.  
Here is the Truth ! Go where you will, to Benares or to Mathura:  
If you do not find your soul, the world is unreal to you”

- Kabir

“Those who seek Truth, and speak Truth, Their bodies and minds become truthful. Those who have forgotten Truth, cry in and weep while departing agony”.

- Adi Granth, Sri Raja

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## 17.5 THE THEORY OF THE PURUSHARTHAS

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The theory of the purusharthas is a fundamental theory of Indian civilization. It is also the key to a deeper understanding of Gandhi’s philosophy. His reinterpretation of this theory is one of his great contributions to modern management system. The theory of the purusharthas proves to be that framework. To understand Gandhi adequately then, we have to understand his reinterpretation of this theory. The basic insight of the theory of the purusharthas is simple enough. A well-lived life requires the coordinated pursuit of all the four canonical goals of life; wealth and power (artha) ethics of duty based on experience (dharma), pleasure both sexual and aesthetic (varna), and spiritual freedom (moksha).

Gandhi redefined purushartha as a spiritual ability that humans have to grasp what the worthwhile goals of life are, and, once grasped, to pursue them with determination and skill. “Our purushastha lies in striving to overcome whatever weakness we see in ourselves”. Weakness that afflict Indians may arise from any number of sources the colonial condition, caste oppression, or submission to fate (vidhi). Purushartha is the common antidote to all these weakness. Its recovery is the secret of India’s innovation.

Gandhi show the way to harmonize the values of artha and moksha, secularism and spirituality, power and justice. Purusharthas, as interpreted by Gandhi, provide a set of values and ideals within which public discourse in India can (and should) be conducted. He presents a balanced view of life. Wealth, power, pleasure, aesthetic beauty, ethical integrity and freedom of the spirit, the purusharthas, are goals that all Indians seek. Gandhi explains how and why that seeking should be the basis of modern India’s public philosophy.

The concept of purushartha has three related meanings. First, it means any human striving, secondly, it refers to human striving directed towards overcoming fate and karma. And thirdly, it refers to any one of the four canonically recognized aims of life, viz., dharma (ethics and religion), artha (wealth and power), karma (pleasure) and moksha (liberation from samsara, the cycle of birth, death and rebirth).

Gandhi introduced several new things into the theory of the purusharthas. First, he removed the perceived gender bias from the concept. Second, he pointed out that the ability to pursue purushartha was unique to human beings, distinguishing them from all other living things. Third, he emphasized its role in overcoming fate and karma. Fourth, he gave the value of artha an unprecedented dignity and importance. And finally, he made the theory of the purusharthas the framework of his philosophy.

The aim of Gandhi’s practical philosophy was to create a new legacy in place of the old. He used the theory of the purusharthas to accomplish it. The result is it has become the framework of analysis of his basic ideas. Firstly, purushartha refers to the inner spiritual power that is present in all human beings. When rightly exercised it can not only overcome all human weakness, even fate, but also enable humans to achieve transcendence. Secondly, they refer to the four goals pursued by individuals and cultures. The two meanings taken together constitute Gandhi’s theory of the practical.

Gandhi used the concept of dharma in three senses: as duty, religion and ethics. The whole discourse of ethics and ethical conducts evolve around purushartha.

The cultivation of calmness, wildness, and tranquillity of personality; fostering of good habits; observance of chastity, altruism and righteousness etc., are the elements of moral life in Gandhian Management System.

The moral law in Gandhian Management is a priors; universal eternal; immutable; independent of space and time; objective; self-imposed; dwells in the heart and deals with the inner being of our personalities. It is the highest; the best of all laws; supreme divine, and

unconditional imperative pregnant with its intrinsic value; and although mysterious unlocks the door to earthy necessities.

“Certainly we should take care not to make intellect our God. Intellect has, of course, powerful muscles but no personality. It cannot lead. It can only serve. It is not fastidious about its choice of leaders (Mind or Soul). The intellect has a sharp eye for tools and methods but is blind to Ends and Values”. – Albert Einstein

“It is already becoming clear that a chapter which had a western beginning in business management will have to have an Indian ending, when the world adopts rich thoughts of Indian ethos and wisdom, if it is not to end in the self-destruction of the human race”. – Arnold Toynbee, Nobel Laureate



### *Check Your Progress- A*

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**Q1. What are the qualities of a leader?**

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**Q2. Write a note on the theory of the Purusharthas.**

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**Q3. Write a note on Gandhi and Leadership.**

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## 17.6 WHAT CONSTITUTES GANDHIAN ETHOS OF MANAGEMENT?

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The salient ideas and thoughts of Gandhian Ethos in Management is nothing but practice of ancient wisdom by Gandhi which was revealed by our ancient scriptures are:

Atmano Mokshartham, Jagat hitaya cha: All work is an opportunity for doing good to the world and thus gaining materially and spiritually in our lives.

Archet dana manabhyam: Worship people not only with material things but also by showing respect to their enterprising divinity within.

Atmana Vindyate Viryam: Strength and inspiration for excelling in work comes from the Divine, God within, through prayer, spiritual readings and unselfish work.

Yogah karmashu Kaushalam, Samatvam yoga uchyate: He who works with calm and even mind achieves the most.

Yadishi bhavana yasya siddhi bhavati tadrishi: As we think, so we succeed, so we become. Attention to means ensures the end.

Parasparam bhavayantah shreyah param bhavapsyathah: By mutual cooperation, respect and fellow feeling, all of us enjoy the highest good both material and spiritual.

Tesham sukham tesham shanti shaswati: Infinite happiness and infinite peace come to them who see the Divine in all beings.

Paraspar Devo Bhav: Regard the other person as a divine being. All of us have the same consciousness though our packages and containers are different.

Basic principles of Gandhian Ethos for Management may be:

Immense potential, energy and talents for perfection as human being has the spirit within his heart.

Holistic approach indicating unity between the Divine (The Divine means perfection in knowledge, wisdom and power), individual self and the universe.

Subtle, intangible subject and gross tangible objects are equally important. One must develop one's Third Eye, Jnana Chaksu, the Eye of Wisdom, Vision, Insight and Foresight. Inner resources are much more powerful than outer resources. Divine virtues are inner resources. Capital, materials and plant & machinery are outer resources.

Karma Yoga (selfless work) offers double benefits, private benefit in the form of self purification and public benefit.

Yogah Karmasu Kaushalam - Excellence at work through self-motivation and selfdevelopment with devotion and without attachment.

Co-operation is a powerful instrument for team work and success in any enterprise involving collective work.

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## 17.7 SUMMARY

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From Gandhian perspectives Karma Yoga is a good pathway for – self purification and self-development, individual as well as collective growth and welfare, minimum play of passion, jealousy, hatred, greed, anger and arrogance, team spirit, team work, autonomous management, minimum control and supervision, etc. The result is all round happiness and prosperity.

Karma Yoga is an end-state or an alias of Nishkam Karma .

The “Right Attitude to Work” is essential for successful in any field.

Lord Krishna in the Gita says:

“Karmanyeva Adhkaraste Ma Phaleshu Kadhachana

Ma Karma-phala-heturbuhu Ma The’ Sangab Asthu Akarmani”

This means “You have the right only to action, and never to the fruits of your actions, nor be attached to inaction”.

Gandhi stood for values in every aspect of life. Values are basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. Value system indicates a hierarchy based on ranking of an individual’s values in terms of their intensity. Terminal values are desirable end-states of existence; the goals that a person would like to achieve during his/her life time. Instrumental values are preferable modes of behaviour or means of achieving one’s terminal values. Values are called gunas. “Values are states of feelings/emotions that underpin the content of a choice/decision and determine the manner of using the intellect/reason for justifying and implementing that choice/decision.” Character is the foundation of values. The sequence being:

Character -> Values -> Attitudes -> Behaviour

Human Values is the sum total of qualities like truthfulness, integrity, gratitude, humbleness, forgiveness, patience, transparency, charitableness, simplicity, etc. Human Values make a person Antarmukhi (interiorized) while skills will make him more and more Bahirmukhi (exteriorized). Human values transcend moral, ethical and spiritual values. Golden Rule of Ethics The following are the forms of the golden rule in ethics. Each of these forms the basis of all human values. These are the core values to change one first.

1. Everything you want others to do to you, you shall do to others.
2. Do not do to others that which you do not wish them to do to you.



3. Do not do anything to others that if done to you, would cause harm to you.

In Modern context for successful in any field we need value otherwise Saytam will become Asayatam. We must learn from Gandhi's life.

My life is message.

Primacy of Ethics.

Life is an integrated whole.

Unity of existence.

Spirit of service.

The individual is one supreme supreme consideration.

From truth to truth.

Work is worship.

Integrate state power, money power with dharma power.

Moral restraint is a self regulation.

We have to build a healthy, homely and humanized future for our youth.




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## 17.8 GLOSSARY

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**Purushartha-** Gandhi redefined purushartha as a spiritual ability that humans have to grasp what the worthwhile goals of life are, and, once grasped, to pursue them with determination and skill.

**Co-operation** is a powerful instrument for team work and success in any enterprise involving collective work.




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12. Perspectives in Business Ethics, Hartman, Chatterjee



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## 17.11 TERMINAL QUESTIONS

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- Q1. Write an essay on the Mahatma as a Management Guru in the new millennium.
- Q2. Write your views in about 100- 150 words on Gandhi and Leadership.
- Q3. What constitutes Gandhian Ethos of Management?

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## **UNIT18 BALANCED GLOBAL ENVIRONMENT**

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- 18.1 Introduction**
- 18.2 Objectives**
- 18.3 Impact of Globalisation**
- 18.4 Balancing Economic Growth with Sustainability**
- 18.5 Environmental Concerns for Modern Business**
- 18.6 Kyoto Protocol- Concern of Global Warming**
- 18.7 Judicious Use of Natural Resources**
- 18.8 Ethical Issues in International Business**
- 18.9 Summary**
- 18.10 Glossary**
- 18.11 Answers to Check Your Progress**
- 18.12 References**
- 18.13 Suggested Readings**
- 18.14 Terminal Questions**

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### **18.1 INTRODUCTION**

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Over the last few decades as globalization of business has spread its tentacles worldwide, it is being increasingly felt that the economic growth should not come at the cost of stability of our environment. Since economies have become interdependent it is vital that every economy understands its responsibility towards creating a balance between economic interest and environment protection. Sustained growth requires continued public and private investment in environment friendly methods and techniques as well as improvement in social, political and legal environment. The businesses should ensure that their practices are ethical, customer and environment friendly and do not hamper competition. This unit would deal with balanced economic growth for the world and how business houses can contribute towards a sustainable and healthy business environment.

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## 18.2 OBJECTIVES

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After reading this unit you will be able to:

- Understand the importance of environmental impact on businesses.
- Find out about the need and ways to incorporate sustainable and environment friendly practices by industries.
- Know about the international collaboration on tackling with global warming (Kyoto Protocol)
- Appreciate the role of ethical business practices for economic growth.

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## 18.3 IMPACT OF GLOBALISATION

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Modern day businesses are exposed to the dynamics of international business environment. They have to quickly and effectively respond and adjust to the forces of globalization. Earlier globalization merely meant the transfer of goods/services and capital between various countries of the world. However, now it has acquired various dimensions, some of which are listed as under:

### **Technology Development and Transfer**

Globalisation has brought developers of technology closer and today collaborations on a global level lead to faster development and transfer of cutting edge technology from one country to another. Opening of markets has now made technology prices viable and information technology is a key component of the modern business models. E-commerce has emerged as one of the most powerful tools and all businesses have to make sure that they have most efficient use of technology.

### **Environmental Degradation and Resource Depletion**

Rapid industrialization has led to unplanned and disastrous extraction of natural resources from our planet which is now on the verge of threat of sustenance. Advanced countries are leading the pack with huge carbon emissions. Air and water quality has gone down and uneven climate change is endangering existence of various species. Tough environmental norms are being propagated at international forums and businesses are bound to follow them.

### **Interdependent of Economies**

Since trade and commerce have been highly integrated across various countries, the economies have become highly interdependent. This means that performance of one economy may have a serious impact on the other. Any adverse indicator about a major economy like that of United States, China or fast growing economies like India or any financial crisis (like what happened with Greece) can have a multiplier impact on other economies and hence can create international turmoil.

### **Global Competition**

Globalisation has opened doors to free markets and thereby making entry of foreign players relatively easier. Due to this the customers have wide variety of options for the products or services they wish to buy at attractive prices. This has resulted in intense and increased competition among businesses. The companies have to ensure that they are always on par, if not ahead, with the competition in critical areas like product quality, technology, pricing, after sales service and customer perception.

### **Integration of Financial Markets**

The financial markets are increasingly getting integrated. Various avenues of capital funding are now available for businesses and liberalized economies are making sure the access to such funds is easier. FDI funding is easier and is greatly welcomed by emerging economies. Foreign investment particularly portfolio investment through Institutions is rapidly increasing in economies with high growth potential although it has a downside of turning markets volatile in the event of any adverse indications.

### **Uniform Business Standards**

Various international organisations, treaties, trade blocks/unions have come forward to deregulate business environment among member countries and have proposed uniform international business standards. As a result businesses have to conform to these standards in order to enter markets and keep updating as per the changes made by the authorities. Such standards can be in the areas of manufacturing, packaging, accounting, environment, human rights etc.

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## **18.4 BALANCING ECONOMIC GROWTH WITH SUSTAINABILITY**

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One of the biggest challenges each economy faces today is that of balancing growth with social welfare. Very often it has been seen that various economies go for short term economic growth neglecting social and environmental issues neglecting sustainability and long term prospects. All the stakeholders in an economy want growth due to obvious reasons. People want growth because it helps them raise their living standards through increase in income. The government favors growth as it helps increase its revenue in the form of increased taxes as increase in income brings more taxes. This helps it to spend more for social welfare. Also, economic growth helps create employment which is a crucial objective for any government. The corporate sector wants growth as it provides them avenues for investment as well as creates wealth for shareholders.

However, any compromise on long term growth by availing short term benefits can be harmful in the long run. It might involve reckless use of resources without planning for

sustainability and thereby damaging long term prospects. The characteristics of a balanced growth involve the following:

- a) It generates wealth by real increase in market size rather than mere shifting of market share from one player to another.
- b) It is inclusive as it does not focus only on one section of stakeholders. It satisfies customers, employees, government, shareholders and the society at large.
- c) It is responsible in its treatment of resources, environment and fulfilling social responsibility.
- d) It is long lasting and has sustainable interventions on a continuous basis.

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## **18.5 ENVIRONMENTAL CONCERNS FOR MODERN BUSINESS**

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Industrialization all over the world has had a catastrophic effect on the planet's environment which has been realized by all the countries and various international institutions. Air, water and soil have been polluted beyond acceptance levels at various parts of the world and its impact has seen human population as well as physical environment suffer. Harmful materials like carbon monoxide, particulate matter, lead, sulfur, nitrogen dioxide etc have severely damaged air pollution and various Indian cities like Delhi have been declared as one with the worst air quality thereby creating health risks to a large section of the people. The key issues for the businesses in respect of the environment are as under:

### **a) Air Contamination**

All the businesses are now faced with tougher laws on air pollution and direct emissions of carbon have been capped by various countries and international conventions. For example the automobile industry which is one of the biggest contributors to air pollution is increasingly working towards cleaner technologies like hybrid or electric models. The governments are also providing various incentives to promote alternate technologies which can safeguard environment or better existing polluting methods. On the other hand polluting industries either have to shut shop or invest in improving their techniques. One another aspect is that employees also like to associate themselves with cleaner and environmentally responsible organisations.

### **b) Water Scarcity**

As the world population is growing beyond control, scarcity of water for human consumption, irrigation as well as industrial use is depleting. Many countries and even a few states in our country are fighting with each other over share of water and millions across the world are dying due to lack of access to clean drinking water. Decrease in water supply has adversely affected agriculture as well as industrial processes. Newer technologies need to be developed to scale down water requirements as well as recycle water and stop contaminating



water through industrial discharges. Stricter rules are being imposed to prevent rivers being clogged and poisoned by industrial waste. It is becoming a challenge to conserve water table and use water in the most economical manner.

### **c) Waste Disposal**

One of the most critical problems for businesses is disposal of industrial waste as all methods including burial, burning, decomposing, draining etc have their own environmental hazards. Many industrial units compromise on waste disposal in order to save costs and thereby lead to abuse of natural resources. Regulations are being laid which do not permit reckless waste disposal methods. Much emphasis is being laid on reuse of by-products in some way or the other so that ecological sensitivity can be maintained. Plastic and gadgets have created a huge problem of e-waste which is increasing rapidly as consumers tend to replace these products in shorter time span than before. Many companies are investing heavily into research and innovation to deal with this problem.

### **d) Climate Change**

After many years of skepticism, it is now established that climate change is real. Temperatures are soaring and global warming is being experienced by every nation, sea levels are rising, glaciers are melting, flooding has become common in coastal areas and weather changes have become abnormal. This would lead to increased cost for businesses, higher demand for energy, losses and increased costs in agricultural production. The Paris Climate Accord has been signed by all countries (US has pulled out recently) in order to form a global strategy to fight this serious concern.

It has now been realized that it is in the interest of investors to support a company which is environmentally responsible and expenditure in promoting environmentally friendly business processes and systems is now considered fruitful.

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## **18.6 KYOTO PROTOCOL- CONCERN OF GLOBAL WARMING**

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In the late nineties, a process started under United Nations to discuss and finalize a way to bring down carbon emissions caused by green house gases which ultimately leads to global warming. Over the last half century, the global temperature has seen the fastest increase rate and much of that is attributed to emissions carried out by industrial units. It was agreed upon that the single most effective way to address the challenging issue of global warming can be addressed by bringing down these gaseous emissions. This discussion reached its culmination in the Japanese city of Kyoto in 1997 and an agreement called the Kyoto Protocol was signed which aimed at binding member nations to bring down emissions. Under this agreement the advanced or developed countries were given higher targets of reduction as it was assumed that owing to early industrialization, they were more responsible for the present state of

affairs. Thirty Eight major developed countries were the key performers under this accord. India and China were not given targets as their contribution to carbon dioxide build-up was considered lower. This treaty went into force in 2005 when it was ratified by all countries except United States. The carbon emissions under this agreement are measured in terms of six types of greenhouse gases. Although many European countries have been successful in meeting their targets in the first stage but it has been observed that the gains were more or less offset by increased emissions from China and United States of America.

The Kyoto Protocol was further discussed in Doha in 2012 to lead to what was known as “Doha Amendment to Kyoto Protocol” which included newer levels of commitments from member nations for the period from 2013 to 2020, addition to the list of pollutant gases and various revisions in operational guidelines as experienced in the first phase of the protocol. It was decided to reduce the emissions by 18% from the levels prevailing in 1990. Along with national programs for reducing emissions, the Kyoto Protocol has also made provisions for achieving targets through market based methods like trading of emissions between different countries (an emission target surplus country can trade with emission target deficient country) which is very effectively monitored by the United Nations through its Climate Secretariat in Germany.

The Kyoto Protocol is considered as an important milestone in environmental negotiations as it was the first most comprehensive accord towards bringing down greenhouse gases like carbon dioxide and methane and provides a framework under which future international cooperation can be designed. The experiences gained under the first and ongoing second stage of this accord has provided great inputs to further the cause. However, the protocol’s success has been seen as doubtful because of various reasons notable among them are:

- a) Majority of the countries are far from meeting their targets and are overshooting by a large margin.
- b) The United States and China which are the world’s biggest economies as well as biggest pollutants are not supposed to bring down any emissions.
- c) According to the scientific studies, even meeting the protocol targets would hardly be able to address the issue of climate change in a substantial way.

It has been assessed by various international monitoring agencies that worldwide the emissions have increased by a substantial margin as compared to the levels in the 90s instead of being brought down.



***Check Your Progress- A***

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**Q1. What is the main point of conflict between industrialization and environment?**

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**Q2. Why was the Kyoto protocol signed by countries around the world?**

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**Q3. What do you understand by Climate Change?**

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**Q4. Name few of the major air pollutants.**

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## 18.7 JUDICIOUS USE OF NATURAL RESOURCES

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Natural resources are the vital building blocks of all businesses and reckless commercial exploitation has led to their depletion and scarcity. Hence, one of the major social responsibilities of businesses is to ensure that the natural resources are judiciously used as it is in the very interest of the business itself. This means that while fulfilling our business objectives, we should ensure that the ecosystem and biodiversity of our planet is preserved. The World Business Council for Sustainable Development (WBCSD) has created a unique guide to help corporate develop a better understanding of their responsibility towards using natural resources in a responsible manner. The aim of this approach is to align and balance the societal, environmental and financial objectives of a company. Some of the basic interventions that can be done towards ensuring prudent use of natural resources are as under:

- **Minimizing and Recycling of Waste**

The industrial organisations have to ensure that waste management is considered an integral part of the manufacturing or service process. Prevailing waste disposal laws should be strictly followed and audit must be carried out. Hazardous waste like hydro carbon products have to be dealt with cautiously as if it seeps underground then it may lead to grave water and soil pollution. Proper disposal has to be preceded by proper storage of waste. Investments should be made in adopting and innovating technology to minimize waste and dispose it in the most environment friendly manner possible. Recycling is one of the most environmental friendly approaches that can be adopted to mitigate harmful impact on the environment. It means reuse of waste material to make a new product. We have to look at incorporating recyclable material in our final product to the waste generated during manufacturing.

- **Increasing efficiency in use of Natural Resources**

Efficient use of natural resources is another way to bring about sustainability in environment. The United Nations Environment Program has described Resource Efficiency under three specific functions which include: a) Resource Use: How technically efficient is the use of the concerned resource. It is measured by the input-output ratio. b) Resource Productivity: Amount of economic value given to a resource. It is measured by value added to input ratio. c) Resource Impact: Refers to the extent to which extraction of resource can harm the environment. Efficient use of resources can lead to achievement of climate goals, increased competitiveness and stimulus to innovation in technology.

- **Innovations and use of alternative sources of energy**

The world now understands the importance of opting for using alternative energy sources like biomass, wind, solar, electric in place of fossil fuels. Usage of coal and oil has led to large scale green house emissions and global warming. Using renewable sources seem to be the only way out of this crisis. The logic behind this is that power should be extracted only from renewable sources which are environment friendly as clean energy can offset the harm caused due to pollution and lessen the impact on climate change. Wind and solar energy are the most

sought after sources which can be harnessed for energy without creating any adverse environmental impact. Technical innovations are still required on a large scale so that these sources are easily available and are affordable to the industry.

- **Green Buildings**

The energy consumption of a business unit has a great bearing on its design. In order to conserve energy, the concept of green buildings has come to the fore. A building can be termed as green if it does not disturb the natural resources in its vicinity and is most efficient in energy utilization. It might cost a little more to construct a green building as compared to the conventional structures but that should be taken more of an investment as it provides returns in the form of savings in energy costs. If the industrial units adopt green building approach they need to hire special consultants who can advise at each step of construction to ensure that the design and execution is in line with the prescribed norms. The green buildings help in a variety of ways including reducing wastage of natural resources like water, improving working conditions and comfort levels, lower energy requirements specially lighting requirements during daytime.

- **Paperless Operations**

Using paper for office operations is not only unfriendly to the environment but has significantly higher cost in terms of raw material, printing, storage space and stationery etc. Now many businesses are adopting paperless office concept which saves trees as well as reduces wastage. Going digital and using tailor-made software enhances safety of data, faster access by employees, multi level quick transmission, quick generation of reports, real time responses and confidentiality. In doing so, we also become environmentally responsible.



### *Check Your Progress- B*

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#### **Q1. Fill in the Blanks**

- Kyoto Protocol was signed in \_\_\_\_\_
- Greenhouse emissions leads to \_\_\_\_\_
- Recycling turns waste into \_\_\_\_\_
- Environment friendly buildings are known as \_\_\_\_\_ buildings.

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## 18.8 ETHICAL ISSUES IN INTERNATIONAL BUSINESS

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As you might be aware, business ethics refers to the broad set of principles and values on which any business should be carried out. It involves taking decisions and adopting practices which are legally and morally sound. It is often difficult to exactly define the ethical rules and boundaries but they normally emerge from organisation statements, legal system as well as socially responsible behavior. It is very important for any business to adhere to business ethics as it helps it to get better reaction from all its stakeholders. When businesses go international then it becomes further challenging as each country has its own set of legal and social conventions. Hence, to operate in a multicultural environment it is essential to have a sound knowledge of the issues related to business ethics so that any situation can be handled in the most professional and legally acceptable manner.

The International business environment has evolved rapidly over the last few decades and business firms are now under closer scrutiny about the way they conduct their businesses. The consumers as well as other stakeholders are always demanding that the firms should carry out business practices in more ethical and environmentally sound manner. The media also keeps a close watch and all malpractices or violations of ethical practices are reported which has a great impact on the image and business prospects of any business organisation. Of late, it has also been realized by the businesses that being ethical and socially responsible is not a burden but is rather beneficial for the business. In the present scenario it is increasingly becoming difficult for any company to shed ethical practices in return for higher financial gains in the short run.

Business ethics relate to doing what is right ethically and is usually beyond the purview of law. It is sometimes difficult to decide such issues as they are not covered under any law. For international businesses it might be more challenging as moral values, social and political norms keep changing in different countries and what might seem to be appropriate in one country might not be suitable in the other. Many times these issues are governed by economic progress, education and corruption levels in a society. Some of the times transnational companies follow different strategies in different markets depending upon the social and political landscape on issues related to environment, employee welfare, consumer health etc. Some of the key areas involving ethical practices are listed as under:

### **Handling Competition**

Sometimes large businesses while entering international markets obtain information about existing players or competitors in unethical fashion. They also try to sabotage their businesses by luring away their employees with higher than market pay packages and offering counter deals to distribution channels. Their sole intention is to destroy the competition by investing in shady practices which will be difficult to prove legally but are unethical in the sense that they harm competition and specially the small scale players who have to bow down to the might of the large corporate.

### **Indulging in Corrupt Practices**

Very often we hear about multinational companies indulging in corrupt practices like bribing government officials for getting favourable terms of business. They try to lure people in influential positions by offering direct or indirect benefits which is illegal as well as unethical. More often than not they are not caught by law and such deeds are difficult to unearth. Sometimes they give donations to political parties or Institutions to either get favourable terms or speedy clearances.

### **Care for the Environment**

Another key element in business ethics relates to a business being careful about being environment friendly. Many times international businesses approach a very casual attitude towards issues related to environment abuse (like dealing with waste disposal, emissions, use of raw material etc) especially in developing countries which do not have strict legislation on environmental matters. It is also seen that inferior or outdated technologies are redeployed in third world countries after they have been phased out in the developed world.

### **Dealing with Employees**

This involves issues like the quality of work environment provided to the employees, the wage structure, employee safety and security, health concerns, gender or racial discrimination, dispute redressal mechanism etc. Often parent companies have superior norms in their home countries which might not be feasible to be applied to less developed countries as it would disrupt local market practices but it is essential to comply with local laws and provide employee standards which are helpful in employee retention as well as project a favourable image of the organisation.

### **Caring about customers**

This is the most critical area where companies run the risk of getting into legal trouble as well as losing customers due to damage in reputation owing to treating customers unfairly. The major reasons for this may be compromises on consumer health, unfair pricing, misrepresentation of facts in advertising, wrong or misleading labels, deficiency in handling customer complaints, quality compromises etc. If anything of these is done intentionally it may hurt the business and customer confidence which can have costly implications.

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## **18.9 SUMMARY**

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Modern day ethical business practices are closely linked with concern and care for the environment. Sustainability and optimal use of resources are the key factors in any business plan. There is an ever growing realization that economic interests should not be allowed to take over ecological impact of any business activity. Commitment and investment towards establishing environment friendly practices is crucial towards attaining long term welfare of the planet and its people. International forums like Kyoto Protocol have been signed to reduce emissions which are responsible for global warming. Balancing economic growth with conservation of environment in all its diversity is the biggest challenge faced by humanity which has to be addressed with drastic measures.





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## 18.10 GLOSSARY

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**Global Warming:** Increase in the earth's temperature attributed to emissions in the air

**Kyoto Protocol:** An agreement between countries to bring down carbon emissions on a continuous basis.

**Greenhouse gases:** The gases that trap heat in the atmosphere leading to increase in temperature.

**Environment Sustainability:** Avoiding depletion of natural resources

**Climate Change:** Abnormal shifts in climate due to environmental issues



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## 18.11 ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress –B

- i. 1997
- ii. Global warming
- iii. Reusable material
- iv. Green



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## 18.12 REFERENCES

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- Caring about the Environment at Your Small Business by Rachel Hutchisson
- The Business Case for Environmental Sustainability by E. Lynn Grayson, Gary P. Kjelleren

- United Nations Environment Program



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## 18.13 SUGGESTED READINGS

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2. Sustainable Excellence: The Future of Business in a Fast-Changing World by Aron Cramer and Zachary Karabell
3. The Ecology of Commerce by Paul Hawken



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## 18.14 TERMINAL QUESTIONS

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- Q1. Why the business environment is closely linked with the physical environment?
- Q2. Critically evaluate the Kyoto Protocol's contribution in addressing the issue of global warming.
- Q3. Suggest ways by which small businesses can align their business goals with environmental care.
- Q4. What are the eminent threats posed by modern businesses to our environment?

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## **UNIT 19 PROBLEMS RELATING TO STRESS IN CORPORATE MANAGEMENT AND PROTECTION OF STAKEHOLDERS**

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### **19.1 Introduction**

### **19.2 Objectives**

### **19.3 Meaning of Stress**

### **19.4 Types of Stress**

### **19.5 Sources of Stress/Stressors**

### **19.6 Consequence of Responses to stress**

### **19.7 Study of stress & Remedies**

### **19.8 Organizational Strategies**

### **19.9 Summary**

### **19.10 Glossary**

### **19.11 Suggested Readings**

### **19.12 Terminal Questions**

### **19.13 Caselets**

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## **19.1 INTRODUCTION**

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Stress has become a universal problem. Right from a child to an aged senior citizen, all are usually found to say .mein tension me hun.....

According to WHO in 2015, 4.3% of world population has been suffering from depression while in India 1 out of 20(5.2%) suffer from this deadly disease as per National Mental Health survey 2015-16. Total number of people suffering from depression was 56 million in 2015.

The corporate world has its fair share which costs it dearly in terms of loss of production and productivity and health care cost of its employees.

Managers and all employees must know about stress. Its knowledge is the best preventive and curative strategy. This will result into big saving in terms of cost and improve productivity and profitability.

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## 19.2 OBJECTIVES

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After studying this unit you must be able to answer;

- Meaning and types of stress
- What are the major sources of stress?
- What are its consequences?
- What are its main remedies- individual and organizational?

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## 19.3 MEANING OF STRESS

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Stress is a mental state. An individual has certain desires, expectations, likes and dislikes. Fulfillment of desires, expectations actual phenomenon in real life are at variance from what an individual desires, what he expects from others and what he likes or dislikes. Stress is a measure of gap between what an individual expects. and what he realizes in actual. Higher the level of desires, expectation, likes and dislikes of an individual as compared to realisation, higher is the degree of stress. Let us take the following symbols or notations :

S = Stress

E = Expected Level

O = Observed or actual level

$S = (E - O)$

Corporate stakeholders are also human beings. They have their own expectation, desires, like and dislikes from the organisation, from management, from fellow workers etc. What they actually realise may show a gap between what is expected and what is realized may be due to a variety of factors. This gap between what is expected and what is observed / realised is the measure of degree of stress in corporate stakeholders – investors, management, employees customers, society, govt, etc.

You may note 'he' includes 'she' also

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## 19.4 TYPES OF STRESS

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**(a) Distress** : Stress may be caused by physiological strain due to hard work or overwork. Strain is a physical phenomena which may create disturbance in mind. When the physiological, emotional and psychological response shows deviation from healthy functioning, this state is called distress. It has negative effect on individual.

**(b) Eustress** : The reaction to pressure that activates and motivates an individual to achieve his goal or change the environment or face a challenge is called eustress. it has positive effect on an individual.

Thus, you can note that distress is destructive stress whereas eustress is a constructive stress. Eustress can be intelligently used by management to improve individual performance. Distress must be avoided by management. Thus, all type of stress is not bad per se. Constructive stress or eustress is also called enstress which gives energy to an individual to excel in performance and to be creative too. It enables you to attain very high targets.

**(c) Episodic Stress** : The pattern of high degree of stress followed by an interval of relief or relaxation is called ‘Episodic Stress’. When you face a crisis as a threat or challenge, you suffer from strain and stress. But when you are rewarded by a with family overseas vacation trip, you feel relaxed, repaired and rejuvenated.

**(d) Chronic Stress** : When pattern of stress is a constant. For example, job insecurity, increasing cost of living, deadlines and bad relationship create delicate situations before and individual where he talks both to fight and flee. The stress becomes constant and addictive. It leads to serious health break down through aggression or surrender.

Thus, it must be clear to you that episodic stress is repairable and temporary whereas chronic stress is constant and very dangerous.



### *Check Your Progress- A*

**Q1. Define Stress.**

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**Q2. Explain various Types of Stress.**

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**Q3. Answer the following questions by stating “Agree” or “Not Agree”**

- (a) **Stress and Strain are the same.**
- (b) **All stress is harmful.**
- (c) **Eustress is also called enstress.**
- (d) **Episodic stress is followed by relaxation.**
- (e) **Chronic stress is constant.**

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## **19.5 SOURCES OF STRESS / STRESSORS**

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Stress has become a fact of an individual’s routine daily life. Work life or life in organisations and non-work life or life outside (including family life or domestic life) are two domains. Stress and strain of one domain is transferred to another. You may say there is inter change of stress and strain between two domains. Therefore, in managing stress you have to take a holistic, inclusive and integrated view of an individual. Happy family and friend life is essential for happy and productive work life. Similarly, happy work life is essential for a happy family life. Both can’t be detached.

No doubt, job satisfaction, work performance, productivity, absenteeism and labour relations are determined by stress at work. But stress is a very complex and dynamic concept. It is a source as well as consequence of tension, frustration, anxiety, distress, depression, etc. It has several inter-related influences on behaviour like individual and group. Factors or sources of stress or stressors can be put into three groups:

- (a) **Personal factors** : Type of personality, emotional stability, and life events or incidents.
- (b) **Organizational factors** : Lack of delegation and autonomy, role relationships and conflict, leadership, Human Resource Management policies and practices, Future Security.
- (c) **Environmental factors** : Economic uncertainties, Technology changes, legal changes, Govt. Policy changes, Political – national and international.

Now you can study these stressors in more details.

- **Personality and Stress** : There are two types of personality – A Type and B Type.
- **Type A Personality** : They are impatient, competitive, combative, aggressive, restless, under intense perceived time pressure and pursuing multiple goals simultaneously. They follow tight deadlines, devote long hours, have very low tolerance limit for variances. They get quick reward and promotions. Initially they report high level of job satisfaction and enjoy good health. But it is not sustainable over long period of time. They suffer from high degree of stress at later stage when they fail to reach the top position.

- **Type B personality** : They are not under pressure. They are relaxed and enjoy non-work activities also. They are slow and steady long term winners and enjoy gradual rise in career. They have high level of tolerance. They focus and concentrate on one goal at a time.
- **Emotional Stability** : High level of emotional stability gives a strong personality who has internal focus of self control. They are committed to purposes, goals and targets. They consider ups and downs in life as inevitable and natural like rise of sun and sun set, cycle of day and night. They maintain evenness or equanimity of mind like lord Ram who was equi-posed in both extremes – becoming yuvraj of Ayodhya Kingdom and ordered to go to forest for 14 years by parents. Emotionally strong persons can convert threat into opportunity and consider failure as a good teacher. They are free from anxieties, fear, stress and depression. They are optimistic, positive, full of energy and enthusiasm, self—confidence, drive, initiative and innovativeness.

Emotionally weak or unstable persons lack energy, drive and self-confidence. They are afraid of downs and losses. They have negative thoughts. Failure depresses them. They have lot of worries, anxieties, fears and lack positive energy due to negative thoughts and perceptions. They suffer from very high degree of stress due to their emotional quotient.

- **Life Events** : Life changes and traumatic events like, serious death, illness, divorce, separation, death, accidents, etc. create stress. Sometimes good events also create stress. For example, pregnancy of woman, birth of child, education of child, change of place due to job or business, marriage of children. New problems are to be faced even in case of good events. Natural disasters like famine, flood, fire, etc. also create lot of stress. Farmers commit suicide when crop is destroyed due to draught or famine or attack of pests and they fail to repay agricultural debts. Several students commit suicide due to fear of examination or when they are declared fail at an examination. Several married women commit suicide due to bad treatment by in-laws and/ or their husbands. Much depends on individual person's perception to life events as normal or abnormal and his capacity to absorb and adept to change. Thus, you must note carefully that positive and negative events in life, both can be source of stress.
- **Organizational factors** : Organizational factors which create stress (organizational stressors) may be listed here under as an illustrative but not exhaustive list.
- Lack of delegation of authority and autonomy in case of competent and willing subordinates. In other words, centralisation of authority brings negative feelings and make them stressful.
- Delegation of authority and grant of autonomy makes fearful those employees who are not competent or unwilling to accept accountability
- Role relationships and conflicts in an organization create stress. Boss- subordinate relationship based on mutual fears emanating from trust deficit creates role stress. It leads to difficulties in communication and inter personal relationship. Conflicts between number one and number two position holders are ever green. Succession plans are not



made or failed due to this conflict. Several top position holders avoid to fill-up number two position in organizational hierarchy. They fail to declare No. 2 in the organization.

- **Role ambiguity** creates conflict. It may arise on account of confusion about role, activities, responsibility, accountability, priority, standards or norms, expectation, etc. When an organization is new or new positions are created or new incumbents join without an explicit statement of roles and responsibilities, role ambiguity and conflicts arise. Internal promotees also face this problem when they are not adequately trained about new role and responsibility.
- **Role stagnation** : As an individual grows up in age, he expects to grow up in his role from operation to supervision to decision making. He expects new learning to face new challenges when he experience no change in his role he feels stagnated in role. This negative feeling becomes more intense with the passage of time with the same role and responsibility. This leads to increasing level of stress due to frustration.
- **Role expectation conflict** : When several people raise conflicting expectations, the incumbent may become confused and stressful. Thus there may be conflicting role expectation from boss, peers, subordinates and clients or customers.
- **Role overload** : When heavy and competing demand are made by various role senders continuously, even the very capable person may feel role overload. Every individual has limits of capacity to work when donkey's load is put without adequate reward, then he becomes very stressful. Example, many additional charges for long time without extra allowance.
- **Role underload** : If a person is capable but he is not given adequate work to perform due to political reasons, not harmonious relationship with higher authorities, he feels ignored and frustrated. For example, a Sr. IAS officer of independent views is transferred as Registrar of a university or as Principal of a training institute, or Director of an Institute of Naturopathy.
- (i) **Career Development** : Career aspirations of Gen-Next employees are very high. Issues related to promotion, job security, transfer training etc. are major issues in the area of career development. Delays and mis-match between competence and career development leads to lot of conflicts, worries and stress.

Technological disruption and global competitive pressures lead to restructuring, delayering, downsizing, slimming and trimming of organizations leading to lay offs. The remaining staff also feels insecure. The following role problems are created which become major stressors for an individual :

- (1) Responsibility for other's work as additional charge is given. Over laps and conflicts or gaps arise.
- (2) Innovative functions based on multi tasking lead to confusion. Cross – border roles like coordinator, link person, contact person may be created without adequate authority. These lead to stress and conflicts.
- (3) Technical staff lacks in soft skills. They face difficulties in relationships as boss, subordinate and peers due to lack of communication and coordination skills.

- (4) International developments like deglobalization, tough control on immigration, ban on outsourcing, ethnic hatred, third world war prospects create lot of future uncertainties in globalization, export and FDI driven economies and business. Recent examples are our IT and Pharma industries. Employees in those economies and industries become very stressful due to future uncertainties. China is also suffering due to deglobalization.
- (5) **Environment Factors** : The very fluid and dynamic business environment elements like economic, political, legal, social and technological create new threats, challenges and risk factors which lead to increased level of stress.

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## 19.6 CONSEQUENCES OR RESPONSES TO STRESS

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These can be put into three groups:

### (A) Emotional Consequences

- Boredom : Aroused
- Anxiety : Hostility
- Dissatisfaction: Envy & jealousy
- Frustration : Attachment
- Tension : Ego conflicts
- Anger
- Irritability
- Depression
- Burnout

### (B) Physiological Consequences

- Increased Blood Pressure
- Increased rate of heart beat
- Breathing problems
- Muscular Tension
- Gastrointestinal disorder
- Sweating palms
- Arousal

### (C) Behavioural Consequences

- Sleeping disorder
- Change in eating habits
- More smoking
- More Alcohol Consumption
- Nervous mannerism
  - Aggression
  - Surrender
- Rapid speed
- Rude behaviour

- Aloofness
- Fidgeting

**Burnout** : Burnout is a state of emotional and physical exhaustion, feeling of isolation, lower productivity, procrastination caused by work related pressure in highly placed people. Family and financial issues also create it. When high standards can't be maintained burnout emerges. Fear of loss of prestige is also involved.

Most heavy consequences of stress on organizations is in terms of loss of productivity and increased cost of Medicare of employees and managers. If preventive and curative steps are not taken the precious human resources may be taken away by deadly sickness and untimely death of an individual. Incidence of high B.P. heart or cardiac disease, diabetes, kidney failure and paralytic attack follow chronic high level of stress. Consumption of liquor and other drugs and smoking may cause deadly diseases like cancer. Such consumption may spoil financial well – being of family also leading to more stress. Hot communication and rude behaviour spoil inter-personal relationships in an organization.

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## 19.7 STUDY OF STRESS AND INDIVIDUAL REMEDIES

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Different Social Scientists – Psychologists, philosophers, economists, spiritual leaders, management experts have studied the problem of stress – Its causes, consequences, symptoms, remedies, etc. Psychologists have studied how complex life styles affect the physical and psychological well-being of individuals. How intense competition and incidence of heart attack among business men are correlated? How can an individual cope with stressors? How can therapists help victims of trauma to overcome trauma-led stress? The researchers have developed theories of stressors. Now you may study the following three important theories in detail

- **General Adaptation Syndromes or GAS** : Hans Selys (1907-1982) began systematic study of stressors and stress in 1930. He conceptualized individual's responses to stress in terms of General Adaptation Syndrome. A syndrome is defined as a set of responses in case of stress in terms of behaviourally defined physical symptoms. An individual's response to a stressor occurs in three sequential stage:
  1. Initial alarm
  2. Long period of resistance, and
  3. Final stage of exhaustion

In first stage of alarm, an individual experiences an increase in physiological arousal. He becomes excited, anxious or threatened or frightened. Mobilization of physical body resources cause diversion of blood from skin to the brain at high speed. Body appears to be pale.

Later on, loss of appetite, acidity, ulcers, hormonal imbalance, loss of sleep and headaches are experienced. The ability to cope with stress declines.

In second stage, resistance arises. Physiological and behavioral responses to stressors become a bit more moderate and sustained. An individual become irritable, impatient, angry and feels instantly tired. Then resistance starts to decline.

In final stage, stress eats away psychological energy. Adaptability also declines. If an individual fails to reduce level of stress, he experiences exhaustion. His alarm is suddenly increased to extreme level like a lamp just before its end and then he finally gives-up. Final withdrawal may be followed by serious illness and death in extreme cases. But you should note carefully that every individual is unique. Response or consequence of stressor may differ from individual to individual. Behavioral and physiological response in case of a spiritually oriented individual will be different from the case of a materialistic- oriented individual.

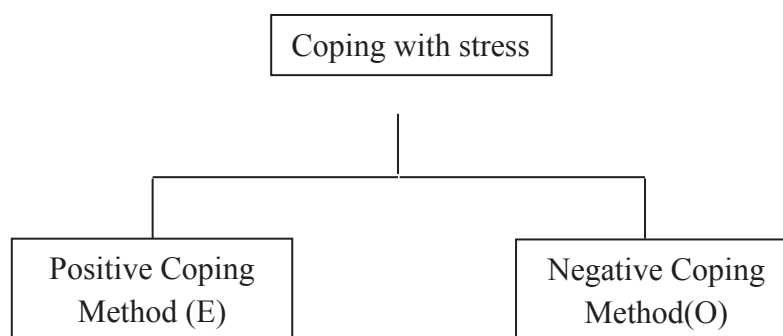
- **Coping:** Coping simply means dealing with a situation. But for a psychologist, coping is the process by which an individual takes action to manage internal and external or environmental stressors. Coping puts pressure on an individual inner body resources, mind and heart. Thus we can identify the following important components of coping:-
  - 1) It is constantly changing and being evaluated. It is a process or a strategy.
  - 2) Coping is managing situation but complete control of situation may not be there.
  - 3) Coping does not happen automatically. One has to make efforts for it.
  - 4) Coping is a learned process.
  - 5) Aim of coping is to manage behavioral as well as cognitive events.

Some people seek medical treatment, some take to sleeping pills, alcohol consumption or drug consumption, smoking etc., some seek spiritual remedies. Philosophical remedies may be used to change life style and approach to life. Several people practice yoga and meditation.

### Effective Coping:

It has two approaches based on concept of stress formula:  $S = (E - O)$ . First way out is to control individual desires, expectations, strong likes and dislikes. It means E value in the above formula is reduced. Second way out is to tackle O value in the above formula. It means either improve O value or accept the observed phenomena or ignore it.

Various ways of coping may be presented by the following chart:



**Fig 19.1 Coping with Stress**

- Removing at Acceptance of reality
- Cognitive coping Ignoring it or
- Managing stress reactions Withdrawal

Defensive mechanisms to deal with stress may be –

- Displacement
- sublimation
- Reaction formation
- Projection
- Regression
- Rationalization
- Repression
- Intellectualization
- Denial

Now you may study them in some detail

➤ **Positive coping method** : To remove the stressor itself from life. For example, change of role, change of place etc. It is true that when a person resigns he does not resign a job only but he resigns his boss, subordinates, peers etc. with whom he experiences stress due to poor relationship. But chronic stress factors cannot be removed by any such action.

2. **Cognitive coping** : To change one's perception to a particular event or scenario(change of O factor). Chronic stress factors can be removed by change of perception and attitude, acceptance, etc.

3. **Managing stress reaction** : When a stressor can't be removed, one can manage reaction to it. For example, risk insurance cover may be taken, dividing a difficult task into small parts, find time for yoga, meditation, exercise, morning walk, reading, writing and talking or sharing with friend to reduce stress.

➤ **Negative coping** : The following methods may provide temporary relief but the problem of stress is not solved to provide long term or sustainable solution.

1. **Withdrawal** : You might have got admission to a course of lowest choice. You may refuse admission or remain absent for the time being. But your stress can't be finally removed until you get admission to a course of your higher choice. The same is true when you get a job of not your liking but you just pull on by remaining absent/take leave without pay.

2. **Aggression** : You muster courage and react aggressively to a stressor. For example, a failed lover becomes hostile or violent and feels relieved of frustration. Sometimes a stressed person beats own chest or attack a wall with his fists or crush away a photo and feels relieved of stress. He may use abusive language also out of anger.

3. **Defensive Mechanism** : Renowned psychologist Sigmund Freud holds that ego provides defense mechanisms against stress and tension. These may be unconsciously used to discharge tension if not overused, these are harmless options. Examples of such defensive options are briefly stated here.

- (a) **Displacement** : When an employee is rebuked by his boss, he can't react. But he finds a safe substitute or displacement of boss. He may choose his subordinates or member of family or a friend to return rebuke and satisfy own injured ego.
- (b) **Sublimation** : One may repair his injured ego by diverting to socially more acceptable activities like charity, sports, social service, etc.
- (c) **Projections** : One's unacceptable desires or emotion may be projected on others. For example, a corrupt employee may take solace in projecting corruption on the whole organization or the society. A liar may project that all are compulsive liars.
- (d) **Reaction formation** : A mother-in-law is very cruel. She is lying on death bed. Her daughter-in-law may welcome her death but she will form a contrary reaction. She will offer prayer for her speedy recovery.
- (e) **Regression** : Stress can be defended by refuting to an old pattern of behaviour. For example, a company suffers big loss. The CEO may cry or scream and shift blame on other.
- (f) **Rationalization** : Stress may be reduced by explaining it away in logical ways. For example loss may be explained away as an outcome of adverse business environment. It may be explained as a normal business phenomenon because life is full of ups and downs.
- (g) **Repression** : Potentially stressful information is kept suppressed. Person may not be consciously aware of repression.
- (h) **Denial** : Not allowing stress in conscious awareness. A doctor has advised a B.P. patient to change dietary habits and to do exercise. The patient decides not to think about problem of B.P. at all
- (i) **Intellectualization** : Stress may be coped by intellectual logic. For example, stress arising from death event may be coped by intellectual logic that all are mortal beings and bound to die, loss, gain life-death, fame defame are in the hands of destiny, beyond our control.

Best long term sustainable solution to the problem of stress is to change life style and approach to life, practice yoga and meditation regularly. Improve body immunity and emotional stability by

- Increasing exercise
- Regulated eating, sleeping and working
- Be flexible and adoptive. Avoid rigidities/extremism in life.
- Improve acceptability
- Avoid interchange of stressors and stress between home and office.
- Share and care. Be communicative
- Learn to relax.
- Seek support of others
- Read spiritual literature or listen discourses. You may read management of self-mind and soul with the help of philosophical solution to stress given in srmadbhagavadgita and Ashtavakragita. (Refer to further readings.)

- **Astanga Yoga** : Now UNO has declared 21<sup>st</sup> June as world yoga day. Astanga yoga of Maharshi Patanjali is accepted as an effective tool to control body, senses and mind. Its 8 steps are as follows;-
1. **Yoga** : Non-violence, truth asteya(non-stealing) aparigraha and celibacy be practiced in life.
  2. **Niyama** : Shouch / purity, contentment, austerity, self study and devotion to god be part of our culture.
  3. **Asana** : Steady and comfortable silting posture be maintained. This is body discipline.
  4. **Pranayama** : Regulation of breath-Bhastrikaor deep breating, kapal bhati, anulom-vilom, external pranayam or agnisar, tribandh pranayam, bhramari and omkar pranayam or udgeeth be practised regularly in sequence. Pranayam with mantra is called sabeej pranayam.
  5. **Pratyahara** : Withdraw senses from their subjects. It is the process of introversion, self introspection and self reform
  6. **Dharna** : Concentrate on some object like tip of nose, or mid point of eyebrows, flame of lamp, dot on wall, lotus of heart or an image of the diety or crown chakra or sahastrar chakra
  7. **Dhyana** : It is steadfast continuous contemplation
  8. **Samadhi** : Drashy, drashta and dhyan all disappear or merge in meditation. Mind, if fully under control, it is the ecastic state which takes one close to liberation or merging.

There are several types of dhyana and Samadhi. In Jainism PREKSHA DHYAN IS THERE. In Buddhism VIPASSANA SAMADHI is there. Poorak, rechak, kubhak pranayam of guru Vashishtha with 1:4:2 time ratio is also there. Hatha yoga of Nath sect and sahaj Samadhi of Lord Shiva propogated by mata Nirmala Devi may also be noted. But yoga and meditation must be performed under the guidance of a competent guru.



### ***Check Your Progress- B***

**Q1. Sources of stress or stressors can be classified in three groups. Briefly mention these groups.**

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**Q2. What are type A and type B personalities? What is a relationship with stress?**

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**Q3. What is coping?**

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## **19.8 ORGANIZATIONAL STRATEGIES**

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Corporates are organizing several programmes to prevent and cure the problem of stress amongst employees, managers and other stakeholders. Yoga and Meditation, psychological counselling, relaxation skills, drug de-addiction, career counselling, job allocation, burnout programmes are some most notable programmes. Organizations devise coping strategies for reduction of bad effects of stress in three ways.

- (a) Identify work stressors, modifying or eliminating them
- (b) Helping employees in changing their perception and understanding of work stress.
- (C) Helping employees in effective coping with consequences of stress

Examples of organizational strategies to eliminate and prevent stress are :

- Job redesign, job enrichment
- More realistic work loads, targets and deadlines.
- Structural reorganization – minimization of hierarchy and team building.
- Flexible working hours, virtual work place.
- Improvement in physical environment of work.

- Management by objectives
- Balanced score card for Total performance management
- Role clarity and role analysis, role relationship workshops.
- Employee participation in decision making
- Workshop on time management
- Physical fitness and wellness programme, including yoga, meditation, relaxation, dietary guidance, etc.

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## 19.9 SUMMARY

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Stress is a universal problem. It is a mental state caused by worry, anxiety, depression, etc. Stress is measured by the gap between expected and actual scene. Types of stress are distress, eustress, episode and chronic. Sources of stress or stressors are personal, organizational and environmental. Personality, emotions and events are main personal stressors. Good and bad events both may become stressors.

Main organizational stressors are delegation, autonomy, role, relationship, disruptive changes and reorganizations. Environment of business is very fluid. Risks and uncertainties are increasing.

Consequences or responses to risk may be emotional, physiological and behavioural. Burn out among highly placed persons.

Stress has been studied by social science researchers. Important solutions include GAS, Coping, yoga and philosophical change by individual and managerial solutions by the organization.



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## 19.10 GLOSSARY

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**Stress:** Stress is a mental state. An individual has certain desires, expectations, likes and dislikes. Fulfillment of desires, expectations actual phenomenon in real life are at variance from what an individual desires, what he expects from others and what he likes or dislikes. Stress is a measure of gap between what an individual expects. and what he realizes in actual.

**Eustress** : The reaction to pressure that activates and motivates an individual to achieve his goal or change the environment or face a challenge is called eustress.

**Episodic Stress**: The pattern of high degree of stress followed by an interval of relief or relaxation is called 'Episodic Stress'.

**Burnout**: Burnout is a state of emotional and physical exhaustion, feeling of isolation, lower productivity, procrastination caused by work related pressure in highly placed people.



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## 19.11 SUGGESTED READINGS

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1. Ashwasthappa K; Organizational Behaviour, Himalaya, Mumbai, ch. 13.
2. Khandelwal N.M.: Indian ethos and values for managers-Text and cases from the Mahabharata, Himalaya, Mumbai, ch. 5.
3. Khandelwal N.M.: Sribhagwadgita for managers, Himalaya, Mumbai.
4. Khandelwal N.M.: Stress Management(based on Ashtavakragita), Himalaya, Mumbai.



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## 19.12 TERMINAL QUESTIONS

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- Q1. What is stress? What are its various types? What are its sources?.
- Q2. "Role is a major source of stress." Explain.
- Q3. What are personal stressors. Describe them in detail.
- Q4. What are organizational stressors? Describe them in detail.
- Q5. What are environmental stressors? Illustrate your answer by impact of globalization, deglobalization and technological disruptions in recent past on various organizations and individuals.
- Q6. Describe GAS as remedy to stress.
- Q7. Explain in detail various types of coping as remedy to stress.

Q8. Describe major consequences of stress. What organizational strategies are being used in stress management?

Q9. Describe Ashtanga yoga of Maharishi Patanjali as remedy to stress.



## 19.13 CASE LETS

### 1. USING STRESS TO YOUR BENEFIT

The effects of stress range from anxiety and tension to increased blood pressure and breathing troubles. It is followed by sleeping disorder, change in eating habits, aggression and rude behavior. When a person reaches peak of his achievements and compares own status with others he suffers from burnout. Can you ever think about using stress to your benefit? If not, you must. For this you have to change your negative perception towards stressors and develop a positive perception. You must learn to embrace stress and use it properly. It can work as a motivating force for attaining goals or finishing tasks on timeline. If you don't feel a little amount of stress, you may not come out of your comfort zone. A research study reveals that a little amount of stress can generate new nerve cells in the brain leading to improvement in cognitive and mental performance. Such stress can promote optimum level of focus, improved memory and short learning curve for new tasks. How you perceive stress will determine how it will affect you. You may make stress your friend or companion.

#### Questions:

1. Define stress.
2. Classify consequences of stress mentioned in this case into three groups-emotional, physiological and behavioural.
3. What is the technical name of useful stress?

### 2. ORGANIZATIONAL STRESSORS

A recent research study carried out on effect of stress on employees job performance in Maharatna public sector companies in India by Anas Khan has revealed that work load, role conflict, insufficient salary, lack of creativity in job, rigid rules and ineffective implementation of discipline have a significant impact on employees performance. (Refer Anvesha, Vol.9 NO.4 (Oct.-Dec. 2016 pp.31-43)

Management of these companies have asked it to prepare a note on what organizational strategies may be adopted to prevent and cure the bad impact of stress on their employees performance . Prepare this note for submission to the CEOs' of those companies.

### 3.DEFENSIVE COPING STRATEGIES

If am stressed and depressed then what is surprising in it ? Tell me who is not stressed in this world? We have to accept what is destined for us. We can't change our past accumulated karmas. We have to bear with patience. Bad days are always followed by good days. I have two alternatives- either to be aggressive or to withdraw. But my ego says that I must defend my self. When my boss misbehaves me I can slap him on the spot but I am afraid, I may lose my job. He is very powerful. None will come to my rescue. On the very day I find some person weaker than me. I may abuse him to repair my injured ego. I have another option. I may undertake some social or religious service and earn praise from the society.I may reconcile that all bosses have such defects and bear with the situation. I may please the boss by give him my best prayers for his long and successful stint in the organization although by heart I pray for his early transfer. In the past I used to weep and cry on such occasions. I have choice to return to the old habit to gain sympathy of my peers. But a n idea comes to my mind. What one sows so he will reap. Such incidents happen in boss – subordinate relationship in most cases just like saas-bahu relationship in family life. A friend has advised me not to disclose such incidents to any body. One more option comes to my mind. I may accept it as a normal event Let me have business as usual. Nothing abnormal has happened with me. Finally a boss is always beyond control of a subordinate. Let me relax now. Forgive and forget.

#### Question:

**Q1. Discuss coping strategies adopted in the above case.**

### 4.-YOGA CAN SET US FREE

Relationships gone sour with us as a load for a very long time. They disturb balance and adversely impact our health. It is said that time heals but the scars remain. With the passage of time wounds turn in to memories. However, a small trigger could turn memories into raw woundsagain. This vicious cycle can lead to a depressive spiral. Yoga's healing powers can help to break this cycle.

Yogic healing is achieved with asana, pranayama, dharana and mantra sadhana. What really is sadhana? Sadhana is a way, a path. It is also a method of transformation. Further sadhana is a journey from the impure towards the pure. The impure relates to the world of name, fame, ideas and that is our normal mind where it is the ego that is interacting with the world. The

pure relates to atma and acceptance of the world without delusions or illusions. That is the world, as it exists.

When sadhana is done regularly, with conviction and over a long period of time, it transforms a person into being more simple and natural internally. From this pure mind arise affection, universal love, compassion and devotion. These bring us closer to divinity and atma bhav—that is, seeing our own self in others. Above all, this journey on the path of yoga leads us to acceptance of individuals and circumstances.

In yoga sadhana, the healing process is threefold: physical, mental and psychic. At the physical level, we work through asanas and pranayama—that is, hatha yoga, to purify the body. At the mental level, we connect to our inner self and begin the journey within. This is achieved through pratyahara, dharana and mantra. The psychic level is purified by kriya yoga, kundalini yoga, naad yoga and laya yoga.

However, most of us need to begin the healing process at a very basic level, that is, at the physical and mental levels and for this, asanas, pranayam, dharana and mantra chanting are useful. They balance, heal and liberate. We feel free.

According to patanjali's yoga Sutra, asana is sukham-sthiram-asanam, that is the posture in which one experiences joy, happiness and stability. This is achieved when asanas are done with awareness. Pranayama balances the stability. This is achieved when asanas are done with awareness. Pranayama balances the panic body and has subtle influence on the mind. According to one's need specific pranayama is done in order to energise or calm the mind. Dharana sharpens the mind improves focus.

Mantras are sound vibrations; they help us connect the inner self to the cosmic energy and overcome energy blockages within. Mantras are powerful and work at a deep level to transform from within. For centuries mantras have been used to improve soiritual status as well as to deal with distress. Mahamritunjaya Mantra, Gayatri Mantra and Goddess Durga's 32names are some of the well known beneficial mantras.

With yoga and mantra sadhana one achieves harmony with the self and with the world. The body becomes healthy, the prana balances and at the level of spirit the process 'sets us free' and unravels creativity in life.

The only constant in life is change. What sadhana does os to put the sadhak or aspirant on the path of acceptance, change, adaptation and deep within it inculcates the ability to step back and see the world dispassionately.

(From Times of India Feb 6,2010)

### Questions:

1. **Why our mind becomes stressful?**
2. **How can yoga help us in making our mind free from stress?**

## 5.-MAKING DECISIONS WITHOUT STRESS:

If you take decisions consciously, you will never have any stress! Stress happens only when you take decisions unconsciously, when interfere with your decision-making. Engrams are 'engraved or past memories' that can distort or disturb your decision-making capacity.

If things are straight-forward, you can take thousands of decisions and yet be completely relaxed. Your life will flow-just like a river! But if you are filled with engrams, after taking just two or three decisions, you will be completely tired. You don't even have to work, just sit in your chair and think about work, and within half an hour, you will have shoulder pain! This means you are caught with engrams. They do not allow you to take decisions.

When the file on which a decision has to be taken takes a quantum leap from the mind to the decision-making zone what we call 'ego', each engram writes its opinion on the file! The more the number of engrams, the more the number of decisions. So when the file reaches the ego, it is completely confused! When three hundred opinions are there on the file, what decision will you take? Your ego will only say, 'Do whatever you want, just leave me alone!'

If you continuously take decisions with no clarity, and you are sitting in the leader's chair, be very clear, not only will you be suffering; you will be making others also suffer! Everyone is a leader in some way or the other. Either you are the leader of your house.

One more thing: a person who is caught in engrams, who is always suffering with engraved memories, can never relax or have a vacation. You can see in your life, early in the morning when you get up and go from your bed to the bathroom. You might start brushing your teeth but your mind will already be in the office! Of you are sitting in the office, the mind will already be in the beach. One thing is for sure; if your body is here, your mind is not here! A person filled with engrams can neither have a vacation, nor can he live his life completely. He will only be passing judgment about each and everything and collecting more engrams.

If you just drop your judgment about yourself, about the people around you and the situations, you will be free from stress and decisions will simply happen in you consciously and effortlessly. You will start enjoying life as it is.

### Questions:

1. What precautions you will take in decision-making with no stress?