

ATTITUDE AND PERCEPTION OF PUBLIC TOWARDS BUSINESS ETHICS: EVIDENCE FROM SELECT SEVEN STATES OF INDIA

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ABSTRACT

The recent corporate accounting scandals involving corporate giants such as Satyam and Enron have made business ethics and corporate social responsibility a much complex area in business research. Many members of the general public are having the perceptions that businesses do not put too much emphasis on ethical considerations in their operations. This study found that there is no significant difference in attitude of males and females but the educational qualification has a significant impact on the attitude of Indian public towards ethics in Indian business. It further explored that bribery and corruption is the most important ethical issue that requires urgent and priority attention in the agenda of the Indian companies.

Keywords: *Business Ethics, Attitude, Demographic factors, Ethical issues and Indian Business.*

Introduction:

The ethical behaviour of business has become a matter of major concern and is under radar from both within the parliament and outside. Recent corporate accounting scandals involving corporate giants such as Satyam, Enron etc are enough indication to this effect. This has made business ethics and corporate social responsibility – a most debatable area in business research which calls for in-situ research in contemporary business. Despite increase in number of research studies in this area reported for the last two decades, in-depth research in business ethics has been very few and far between and that too, the studies were limited to few aspects of business ethics related to Indian business. The main reason for this is, following the Satyam and similar financial debacles, researchers and practitioners are focusing on studying ethical conduct amongst larger corporations whose downfall had been shown to affect a broad spectrum of businesses and corporate governance. As the public are becoming increasingly aware of the responsibility of the business, their perception / view point about the business ethics needs to be systematically examined vis-a-vis present Indian context.

It is widely believed that business and ethics do not go hand in hand because adherences to ethical practices do not accrue profits to the firm. A perfectly ethical company will not be able to reap the benefits offered by the business environment and so will not be able to capitalize on the opportunities that are provided by circumstances. However, real life examples have shown that business ethics do ensure high returns for the company. Reputation of a company and its share price also rise if they act upon on corporate social responsibility (CSR) and fulfill ethical values diligently and honestly, take care of society, customers, and in nutshell of all stakeholders' interest and benefit over their own business objectives and goals. Corporate history of many multinational corporations (MNCs) have shown that companies that follow ethical practices provide double the value to their shareholders than companies that do not adhere to ethics.

When the sole objective of a corporation is to maximise profit, it may be able to achieve its aim in the short term, but it may lose its edge in the long term. It is observed that business organizations in their effort in making profit are slowly deviating from the CSR objective. Although, profit maximization has

been its bottom line given the due care in adopting the triple bottom-line strategy.

The degree of emphasis placed on business ethics and corporate social responsibility is now emerging as a particular stroke of genius and long-term vision and that it may well serve as a national model for business education. Governments at all levels, corporations, non-governmental organisations and the general public are all engrossed with the concept of business ethics. The growing importance of governmental regulations, the amplified scrutiny of media, and the increasing pressure from different stakeholders have placed the business ethics challenge on the strategic agenda of virtually all firms.

Consequently, ethical practices followed by the companies have emerged as another characteristic with an intrinsic value. Thus business needs to identify and address the ethical issues with a view to achieve greater degree of stakeholder satisfaction, which in turn, positively affects the firms' financial performance.

Review of Literature:

The research on business ethics is categorized into two main approaches – conceptual and empirical. Conceptual approach aims to clarify the meaning of business ethics, moral conduct and social responsibility. At the same time, researchers adopting this approach also came out with recommended guidelines to assist corporate leaders in making ethical business decisions. In contrast, empirical approach places emphasis on examining prevailing ethics, perceptions and attitudes of general public, business people, and university students who often regarded as the future business leaders (Preble & Reichel, 1988).

An attitude toward business ethics is referred to as “the subjective assessment by a given individual with respect to sets of premises that make up various business philosophies. Attitudes toward business ethics form the core component of empirical study on business ethics. They highlight the importance that certain groups of individuals are attached to each of the philosophies underlying their concept of business ethics.

According to Beltramini et al. (1984), female college students were found to show more concern with ethical issues as compared to their male counterparts. Harris (1990) subsequently performed a study on business students from a public university. The results grant partial support to the proposition that females are less tolerant than males on unethical behaviour. He relates this gender difference to the different ethical frameworks used by females and males. Ruegger & King (1992) also found in their study a significant relationship between gender and ethics. Female were found to be more ethical than males in their perceptions of ethical business conducts.

A review completed by Ford & Richardson (1994) shows that out of fourteen studies comparing gender in terms of their ethical behaviour, the results of seven studies supported females being more ethical than males. The remaining seven studies found no significant difference between females and males in terms of their ethical behaviour.

Giacalone et al. (1988) found that a significant difference between less educated respondents and higher educated respondents in terms of business ethics. Less educated respondents were found to be less ethical. Furthermore, it was found that more educated respondents tend to be less willing to lower ethical standards in non-profitable situations. He argues that certain situations would persuade less educated respondents to find an unethical situation as more acceptable.

The study conducted by Jones (1990) revealed that both undergraduate and graduate students tended to be undecided. The general responses were more toward disagreement on the unethical situations illustrated in the study although graduate students tended to feel a bit stronger. Other situations involving misuse of company equipment revealed the same responses with graduate students being more in disagreement.

Is it possible for an organization to remain ethical in the face of the growing corruption, increasing disparity between people and rapidly reducing profit margins? Thousands of underhand deals are struck everyday and go unreported or unnoticed. There is hardly an institution, which has not at some time or the other been either involved or suspected of some foul play. Even companies which started off with intentions to do business in an ethical manner have had to compromise their principles due to the highly politicized and beauraucratic business environment in India (Zubin Mulla, 2003).

In the past one year, India witnessed several scams of unprecedented magnitude. They relate to, among others, allocation of 2G spectrum, Adarsh Housing Society, Commonwealth Games and land scams in Karnataka. These scams have established a dangerous nexus between politicians-administrators-businessmen. Corruption undermines the fundamental values of human dignity and non-discrimination and also the rule of law framework. It hinders the fulfilment of other basic rights. It affects the citizen's faith in the State and threatens democracy. Observers say that corruption has become “a low-risk, high-profit business” (NHRC).

Since 2003, the Institute of Business Ethics, UK has annually surveyed the perceptions of the British public to ethics in business. The latest face-to-face survey was conducted among a representative sample of 991 British adults (aged 16 years and above) as part of its Sustainable Business Monitor Survey in September 2012. These findings show a substantial decline in the proportion of the public saying that British business

generally behaves ‘very’ or ‘fairly’ ethically (from 58% in 2011 to 48% in 2012). More people think that executive pay needs to be addressed in corporate behaviour than any other issue – a third select it among their top three priority issues (34%).

Significance of the Study:

The fact that ethics is an integral part of regular corporate activity and remains an important source of competitive advantage and corporate identity. The present study contributes to enriching management literature by highlighting public attitude towards business ethics being followed by some select companies. These companies are expected to benefit from the ongoing discussion expressed by the members of the public and their expaction from the public perception. Besides, the outcome of the study would throw light on what factors should the corporate bodies consider while making ethical decisions in their businesses.

Objectives of the study:

1. To understand the public perception/ opinion about business ethics
2. To analyse the association of demographic factors and attitudes towards Indian business ethics
3. To identify the core issues influencing business ethics

From the review of the literature it is therefore hypothesized that:

- There is a positive association between ethical practices and corporate financial performance

Methodology:

For the purpose of obtaining information, primary data has been collected using questionnaire by conducting direct personal interview. The questionnaire consists of demographic information of the respondents, such as gender, age, academic level, and occupation, comparison of current ethical practices with that of the practices followed some ten years back. The Questionnaire was developed on lines of the annual survey conducted by the Institute of Business Ethics, U.K. Convenience sampling technique was used. A total of 350 questionnaires were administered among the general public covering different states of India. Of this, 338 responses were received and considered for the study.

Demographic information was analyzed using frequencies. Statistical tools like Pie-chart, percentage analysis and chi-square test have been used. For comparison purposes, the chi-square test was used to test for significant differences (*P-value < 0.05, where confidence of 95% is used, 0.05 probability level*) between the attitude of males and females towards ethical practices, difference in attitude towards

business ethics among different age groups and among different levels of qualification.

Result & Data Analysis:

Table-1

Gender	Very Ethically	Fairly Ethically	Not Very Ethical	Not at all Ethical	Total
Male	9	53	69	12	143
Female	5	70	102	18	195
Total	14	123	171	30	338

Figure: 1

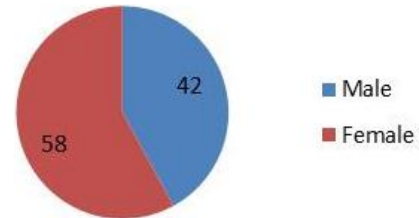


Figure 1 shows that 58% of the respondents were females and 42% of the respondents were male.

Chi- Square Test

H₀: There is no significant difference between male and female in terms of attitude towards business ethics.

H₁: There is a significant difference between male and female in terms of attitude towards business ethics.

Statistics	Degrees of Freedom	P value	Significance
3.135	3	.371	insignificant

From the table it is clearly evident that the Indian public considers business in India not very ethical. As the p value is more than .05, there is no significant difference between the attitude of male and females towards the ethical behavior of Indian business.

Table-2

Gender (n=338)	More Ethical	Less Ethically	Same	Total
Male	47	83	13	143
Female	60	110	25	195
Total	107	193	38	338

Statistics	Degrees of Freedom	P value	Significance
1.174	2	.556	insignificant

From the table, it is inferred that Indian business is behaving less ethical now when compared to ten years back. As the p value is more than .05, there is no significant difference between the attitude of male and females towards the ethical behavior of Indian business when compared to ten years ago.

Table-3

Particulars	Gender	
	Male	Female
Executive Pay	38	62
Environmental Responsibility	65	88
Discrimination in treatment of People	42	69
Bribery and corruption	88	100
Safety and security in work Place	61	117
Fair pricing of products and services	34	52
Advertising and Marketing practices	33	21
Work- home balance	20	38
Transparency in information	37	16
Employee speaking out about wrong doing	11	22
Total	429	585

Statistics	Degrees of Freedom	P value	Significance
35.005	5	.000	Significant

From the table, it is evident that bribery and corruption, safety and security in work place and environmental responsibility are the three most serious ethical issues that need to be addressed by Indian business urgently. As the p value is less than .05 there is a significant difference between the attitude of males and females in this regard. Males consider bribery and corruption and environmental responsibility as the most crucial issues as against females who consider safety and security in work place and bribery and corruption as the ethical issues that need to be addressed by Indian business.

Table-4

Age	Very Ethically	Fairly Ethically	Not Very Ethical	Not at all Ethical	Total
18-35	11	70	119	22	222
36-50	3	46	48	8	105
>50	0	7	4	0	11
Total	14	123	171	30	338

Figure: 2

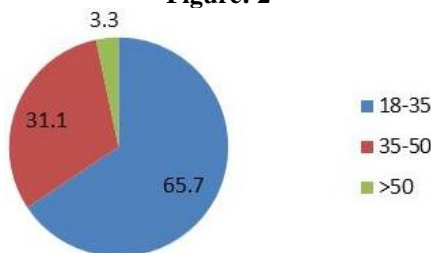


Figure 2 shows that 66% of the respondents are from 18-35 age group, 31% of respondents belong to 35-50 age group and 3% of respondents are above 50 years.

Chi- Square Test
H₀: There is no significant difference among different age and education levels in terms of attitude towards business ethics.

H₁: There is a significant difference among different age and education levels in terms of attitude towards business ethics.

Statistics	Degrees of Freedom	P value	Significance
9.263	6	.159	Insignificant

From the table, it can be analysed that since the p value is more than .05 there is no significant difference among the different age groups in their attitude towards ethics in Indian business.

Table-5

Age	More Ethical	Less Ethically	Same	Total
18-35	72	127	23	222
36-50	32	58	15	105
>50	3	8	0	11
Total	107	193	38	338

$X^2=2.945, df=4, p=.567, c=.093$

From the table, it is observed that that since the p value is more than .05 there is no significant difference among the different age groups in their attitude towards ethics in Indian business as compared to ten years ago.

Table-6

Particulars	Age		
	18-35	35-50	>50
Executive Pay	78	22	0
Environmental Responsibility	100	49	4
Discrimination in treatment of People	69	38	4
Bribery and corruption	118	64	6
Safety and security in work Place	126	44	8
Fair pricing of products and services	52	31	3
Advertising and Marketing practices	37	16	1
Work- home balance	37	20	1
Transparency in information	27	21	5
Employee speaking out about wrong doing	22	10	1
Total	666	315	33

$X^2=25.087, df=18, p=.123, c=.155$

From the table above, it becomes clear that people between the age group of 18-35 consider safety and security in work place as the most important issue that need to be addressed by Indian business followed by bribery and corruption. People between the age group 36-50 consider bribery and corruption as the most important issue and safety and security was given the second place. However, since the p value is more than

.05 there is no significant difference among the different age groups in their attitude towards different ethical issues in Indian business.

Table-7

Qualification	Very Ethically	Fairly Ethically	Not Very Ethical	Not at all Ethical	Total
UG	8	42	72	13	135
Graduate	5	32	42	6	85
PG	1	49	57	11	118
Total	14	123	171	30	338

Figure: 3

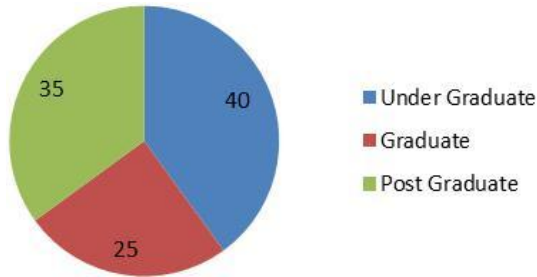


Figure 3 shows that 40% of the respondents are under graduate, 25% are graduates and 35% are post graduate.

Statistics	Degrees of Freedom	P value	Significance
7.452	6	.281	Insignificant

$X^2=7.452, df=6, p=.281, c=.147$

From the table, it is inferred that since the p value is more than .05 there is no significant difference among the different levels of qualification in their attitude towards ethics in Indian business.

Table-8

Qualification	More Ethical	Less Ethically	Same	Total
UG	44	82	9	135
Graduate	34	40	11	85
PG	29	71	18	118
Total	107	193	38	338

$X^2=10.206, df=4, p=.037, c=.171$

Statistics	Degrees of Freedom	P value	Significance
10.206	4	.037	Significant

From the table, it is observed that since the p value is less than .05 there is a significant difference among the different levels of qualification in their attitude towards ethics in Indian business as compared to ten years ago.

Table-9

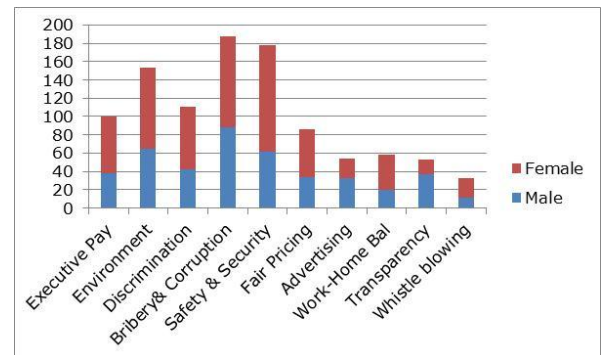
Particulars	Age		
	UG	Graduate	PG
Executive Pay	78	22	0
Environmental Responsibility	100	49	4
Discrimination in treatment of People	69	38	4
Bribery and corruption	118	64	6
Safety and security in work Place	126	44	8
Fair pricing of products and services	52	31	3
Advertising and Marketing practices	37	16	1
Work- home balance	37	20	1
Transparency in information	27	21	5
Employee speaking out about wrong doing	22	10	1
Total	666	315	33

$X^2=29.712, df=18, p=.040, c=.169$

Statistics	Degrees of Freedom	P value	Significance
29.712	18	.040	Significant

Table above highlights that under graduates consider safety and security in work place as the most important issue that need to be addressed by Indian business followed by bribery and corruption. The graduates consider bribery and corruption as the most important issue and safety and security was given the second place. However, since the p value is less than .05 there is a significant difference among the different levels of qualifications in their attitude towards different ethical issues in Indian business.

Figure: 4



From Figure 4, it becomes clear that bribery and corruption, opted by 188 respondents, is the most significant issue that should be addressed by Indian business. Safety and security is another major issue of concern especially shown by the female respondents. As the need of hour is that business should take care of the environment so the environmental responsibility of the business has been rated at third place.

Discussion:

The result of current study reveals that there is no significant difference between males and females attitude towards ethics in Indian business. The result is coherent with Asena Gulova, Inan Eryilmaz and Deniz Ispirli whereby there was no significant difference found on the ethical perceptions of Turkish male and female salespeople. A subsequent study by Choe Kum-Lung and Lau Teck-Chai also shows no significant difference between male and female from Kuala Lumpur, Malaysia.

Majority literatures endorse the claim that females tend to be more ethical than males Olawale Fatokil and Mathew Marengo. Many past studies in business ethics reveals that educational level has a positive impact on promoting the standards of ethics. This study also proves that educational qualification has a significant impact on the attitudes of Indian public towards business ethics. But the recent study does not find any significant difference in the attitude towards business ethics among people of different age groups. As per the study done in U.K. executive pay was rated the most important ethical issue in business in U.K. but as per this study bribery and corruption along with safety and security at work place are the most critical ethical issues in India.

Limitation and Future Research:

The study was conducted only with limited number of respondents drawn from 7 states of India. There is a good scope that people from other parts of the country could be included in the sample to make it more representative of the Indian population. Different ethical issues should be ranked so that rank correlation could be indexed properly for analyzing the most significant ethical issues influencing Indian business. Further, it is felt that a thorough probe may be conducted into measuring each ethical parameter influencing Indian business for eg. insider trading, sexual harassment, accountability towards stakeholders etc.,. In addition, ethical index may also be constructed for better results on this front.

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