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A STUDY RELATES TO BUSINESS ETHICS AND CORPORATE GOVERNANCE.

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ABSTRACT

Business ethics is the first line of defense against corruption while law enforcement id remedial and reactive. Good corporate governance goes beyond rules and regulations that the government can put in place. It is also about ethics and the values which drive companies in the conduct of their business. It is therefore all about the trust that is established over time between companies and their different stakeholders. Good corporate governance practice cannot guarantee any corporate failure. But the absence of such governance standards will definitely lead to questionable practices and corporate failures which surface suddenly and massively. In making ethics work in an organization it is important that there is synergy between vision statements, mission statements, core values, general business principles and code of conduct confers a variety of benefits. An effective ethics programme requires continual reinforcement of strong values. Organizations are challenged with how to make its employees live and imbibe the organization codes and values. To ensure the right ethical climate a right combination of spirit and structure is required.

Keywords: code of business ethics and corporate governance, business ethics and corporate governance rating.

INTRODUCTION

Business ethics is a kind of applied ethics. It is the application of moral or ethical norms to business. The term ethics has its origin from the Greek word "ethos", which means character or custom- the distinguishing character, sentiment, moral nature, or guiding beliefs of a person, group, or institution. Ethics is a set of principles or standards of human conduct that govern the behavior of individuals or organization. Ethics can be defined as the discipline dealing with moral duties and obligation, and explanation what is good or not good for others and for us. Ethics is the study of moral decisions that are made by us in the course of performance of our duties. Ethics is the study of characteristics of morals and it also deals with the moral choices that are made in relationship with others. Business ethics comprises the principles and standards that guide behavior in the conduct of business. Businesses must balance their desire to maximize profits against the needs of the stakeholders. Maintaining this balance often requires tradeoffs. To address these unique aspects of businesses, rules- articulated and implicit are developed to guide the businesses to earn profits without harming individuals or society as a whole. It is known fact that vital needs of success of any organization lingers on it stability to mobilize and utilize all kinds of resources to meet the objectives clearly set as part of the planning process. Managing well depends on internal and external factors, the latter include availability, cost effectiveness; technological advancement. Increasingly, revelations of deterioration in quality and transparency, have called for adoption of internationally accepted 'Best Practices'. The acceptance of the conceptgave rise of 'Corporate Governance'. 'Corporate Governance' encompasses commitment to values and to ethical business conduct to maximize shareholder values on a sustainable basis, while ensuring fairness to all stakeholders including customers, employees, and investors, vendors, Government and society at large. Corporate Governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimized. Sound Corporate Governance is therefore critical to enhance and retain investors' trust. Corporate governance is about ethical conduct in business. Ethics is concerned with the code of values and principles that enables a person to choose between right and wrong, and therefore, select from alternative courses of action. Further, ethical dilemmas arise from conflicting interests of the parties involved. In this regard, managers make decisions based on a set of principles influenced by the values, context and culture of the organization. Ethical leadership is good for business as the organization is seen to conduct its business in line with the expectations of all stakeholders. Naresh Chandra Committee recommendations relate to the Auditor-Company relationship and the role of Auditors. Report of the SEBI Committee on Corporate Governance recommended that the mandatory recommendations on matters of disclosure of contingent liabilities, CEO/CFO Certification, definition of Independent Director, independence of Audit Committee and independent director exemptions in the report of the

Naresh Chandra Committee, relating to corporate governance, be implemented by SEBI. Narayana Murthy Committee recommendations include role of Audit Committee, Related party transactions, Risk management, compensation to Non- Executive Directors, Whistle Blower Policy, Affairs of Subsidiary Companies, Analyst Reports and other non-mandatory recommendations. Corporate governance and ethical behavior have a number of advantages. Firstly, they help to build good brand image for the company. Once there is a brand image, there is greater loyalty, once there is greater loyalty, there is greater commitment to the employees, and when there is a commitment to employees, the employees will become more creative. In the current competitive environment, creativity is vital to get a competitive edge.

OBJECTIVES OF THE STUDY

- To study the concept of business ethics and corporate governance.
- To examine the code of business ethics and corporate governance.

RESEARCH METHODOLOGY

The data for the study is based on secondary data**.** The data for the study has been collected from online journals, referred books, newspapers and referred magazines.

CODE OF BUSINESS ETHICS AND CORPORATE GOVERNANCE

Code of business and corporate governance is just like any other professional code and prescribes the practices that the organizations should follow to achieve their objectives. In Indian context, code of business ethics and corporate governance is required because the company laws which prescribe how a company can be managed only prescribe procedural matters and the panel provisions if any offence is committed in the form of non conformity to these procedures. These do not describe good corporate management practices. Code of corporate governance prescribes such practices. Contents of a code of business ethics and corporate governance may differ from country to country but in general, a code of business ethics and corporate governance contents the compositions of board of directors, disclosures of information and management practices.

Composition of board of directors

The board of directors of company involves in both strategic and legal functions. Therefore, the composition of board of directors should be in accordance with companies' laws and other prescriptions. In India, the company act has prescribes the composition of board directors. Board members are classified as full time directors or executive directors and part time directors. Full time directors devote their full time in managing the company. Part time director do not devote their full time but only participate in the board meetings constitute by the board. In order to me board of directors more independent, i.e. , free from the influence of promoters of the company,SEBI has prescribed that all those companies whose shares are listed on any stock exchange must have 50 percent independent director. An independent director is a person who does not have any significant direct interest, except the compensation he receives by providing the service, in the company at the time of joining the company as a director. Just like the provisions of the companies act, it is a mandatory provision.

Disclosure of Information

Disclosure of information is the supply of information of financial nature or other nature relevant to all type of stakeholders of the company through the annual reports, accounts and other sources. While the companies act provides the format for providing such information periodically, SEBI has made provisions that all companies listed on the stock exchange will provide all such information which is likely to effect the share prices. Such information relates to financial performance, mergers and acquisitions, opening of a new unit, declaration of dividend and other relevant information . In this regards, SEBI has made two provisions. First of all, all companies will prepare, submit, publicize their quarterly results (ending june, September, December and March) besides annul results. These results will be communicated to the stock exchange concerned on the day or on immediate next working day (in case of holiday) on which the result the finalized. This result will be published in at least two Newspapers and one National Newspaper. Second, if there is any item related to the above is on the agenda of any meetings of the directors or any of its committee, this has to be communicated immediately to stock exchange indicating the nature of item and the date on which the board/committee will meet.

Management Practices

Management practices includes planning, organizing , staffing, directing and controlling, relevant to the business functions such as production, marketing, finance and personal as well as stakeholder. Management practices are suggested by corporate governance should have fairness, transparency and accountability. Fairness and management practices refers to equitable treatment to stakeholder ,i.e ,giving them honestly what is due to them. Transparency refers to the extent organizational decision are verifiable by others. Verification of decisions is done by others on the basis of consistency that an organization adopts in making decision on similar issue and in the similar condition. Accountability refers to the obligation that an organization has towards others. Thus, if an organization is not able to meet its obligations, it cannot take the plea that the work was entrusted to a particular person but he could not do it. The organization or even a manager of the organization remains accountable. Fairness, transparency and accountability taken together, build trustworthiness of the organization which refers to the level of security that the organization may feel towards others and the extent to which the organization is viewed by others as fair, transparent and accountable.

BUSINESS ETHICS AND CORPORATE GOVERNANCE RATING

A corporation or what is known in India as joint stock public limited company is a form of business organization in which several stakeholders invest in the financial instruments of their choice. The initial capital or "seed money" is provided by the promoters. After running the company a number of years with operating profit, the company becomes eligible to go for public issue, by way of equity or preference shares. The company may also approach term lending development institutions or commercial banks for granting terms loans for buying machinery, construction of factory etc. It may also issue debentures for supplementing the investment needs. Obviously, all these stakeholders invest in the company after lot of query and analysis about the financial soundness and validity of the project, credibility of promoters, track record of the existing firm in regard to timely payment of interest and principal of interest and loans, debentures, bonds, etc. Last, but not the least, for sustained growth of firm, it is a must to generate reasonable economic value addition (EVA) or wealth creation for the equity shareholders who have taken the risk of financing the business. Any company which is performing the above functions to the satisfaction of all their stakeholders would enjoy the reputation of having a good or credible corporate governance mechanism. Corporate governance can thus be defined as the basic duties and responsibilities of company board, and its managers aim to ensure that different stakeholders in the organization get their contractual dues on time. These stakeholders include employees, shareholders, lenders, banks and financial institutions, bond or debenture holders. They should also ensure periodically that each of them are discharging their duties and responsibilities truthfully and faithfully. This also pinpoints the need for some rating agency which may periodically rate the corporate governance of companies based on the actual ground reality.

CONCLUSION

Corporate governance suggest that disclosure should includes material information such as financial and operating results of the company, company objectives, major shareholding and voting rights, members of the board and key executives and their remuneration, material foreseeable risk factors, materials issues regarding employees and other stakeholders, governance structures and policies, audit and dissemination of information. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the action, polices and decisions of corporations.

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