A Research Outline
on the Proposed Research Topic entitled

A Study of Inter-relationship between Business Ethics and Consumer Protection

Synopsis submitted to Kuvempu University for Registration for Ph. D programme in Commerce

submitted by

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Introduction

The economic activities of human beings form the basis for any economic system. And they (i.e., economic activities) are undertaken/performed with the objective of achieving the maximization of stakeholders’ value which in turn influenced by a number of determinants including profit, growth rate, risk factor and pay-out policy. The economic activities whose aim includes, among others, earning maximum possible profit can best be described as business. The economic activities (including business activities) decide the economic status/health of a nation. As it is known, the economic activities comprise of activities of all three sectors viz., Primary Sector, Secondary Sector and Tertiary Sector. The business entities in different forms, nature, field, etc in all the three sectors are engaged in production and/or supply of goods services.

Earning maximum possible amount and rate of profit is one of the primary objectives of any business concern. A very large number of units are working with this objective. However, there is a change, now, in the priority of business units wherein they attach more importance to consumer-centred approach and through they wish to accomplish their profit maximizing or stakeholder value maximization objective. Therefore, the success of any business unit (which strives very hard to be in the stream for long-run amidst of cut-throat competition, globalization, liberalization, privatization, etc) depends upon the production and distribution of goods and services needed and demanded by the customers/consumers. Hence, they are thinking in terms of serving their customers more effectively, efficiently and more satisfactorily. Their link of thinking is on, what best they should/can do or what they should not do for the betterment of consumers along with earning of profit to be in the field for a long-run.

Consumer

Broadly speaking, the society as a whole stands in the role of a consumer as against the economic entities which are parts (of the society) as the producer and/or distributors. Here, the term society is used to mean a group of people having common ends and from whom the demand for various goods and services (produced and/or distributed by the economic entities) originates. Their common ends such as establishing, nurturing and protecting family life,
producing and distributing the materials on which their life depends, creating and preserving the cultural and social values (like traditions, religion, customs, knowledge, etc) are achieved by their activities through institutions. The most common patterns of institutions that people go for are Familial, Economic, Political, Legal and Educational Institutions.

The most important form of institutions through which the society fulfills its ends is the Economic Institutions. These institutions are designed to achieve two important objectives viz.,

01. Production of goods and services which the members of the society need and demand, and

02. Distribution of these goods and services to various members of the society according to their requirement.

As society strives for preserving the social, moral, ethical and spiritual values for the welfare of all its sections, it naturally expects all such values from the institutions - whether familial, economic, legal, political or educational. Therefore, ethics is thought of for every type of institution since its formation for its effective operation and creating a healthy environment in the society. Both the individual and institution (professional, business unit, educational institution, politician, etc) need to work within the framework of ethics. And this is very essential both at the corporate and non-corporate levels which. Because, production and distribution of goods and services need to be carried out within the boundaries of ethics.

**Ethics and Business Ethics**

The word **Ethics** is as old as human civilization. In India, its usage and practice dates back to the Vedic and post Vedic periods. One can find the relevant literature in Vedas, Upanishads, Shrimadbhagavadgeetha, Ramayana, Mahabharata, Tripitakas, Vachnas, etc where every aspect of society - whether social, political, legal or economical - is viewed ethically and as the reflection of ethics.

The dictionary meaning of the term **ethics** reads as, **the study of standards of conduct and moral judgement.** Thomas White defines Ethics as **the branch of philosophy that explores**
the nature of moral virtue and evaluates human actions. Manuel G. Velasquez views ethics as the discipline that examines one’s moral standards or the moral standards of a society. Girt describes ethics as a system of public, general rules for guiding human conduct. Others have viewed ethics, more or less, similarly. These definitions, views, etc bring a few things very clearly. They are,

01. Ethics are in the form of rules, moral standards, etc which guide one’s conduct – both of individuals and institutions; and

02. They (i.e., ethics) are in the form of yardsticks against which one’s action/conduct can be evaluated.

Though ethic deals with morality, it is not quite same as morality. Because, ethics deal with not only the study of morality, but also with the results of such study. In other words, it states (a) what is more right? (b) what is less right? (c) what is more wrong, (d) what is less wrong?, etc. It studies the moral standards whose aim is to determine, as far as possible, whether given moral standards are more or less correct or whether these standards are reasonable or unreasonable, etc. It is concerned with the development of reasonable normative claims and theories.

**Business ethics** deal with moral standards as applicable to business institutions, organizations and behaviour. It is a specialized study of what is right and what is wrong with the business operations as against the moral standards.

As stated earlier, economic institutions play a major role in the activities of human beings. Almost all the activities of human beings are concerned with either the production or distribution of goods and services or both. Hence, this seems to be the major field where ethics should be seriously observed. Hence, business ethics, as stated by Manuel G. Velasquez, is a study of moral standards and their application to:

01. The social system and organizations through which modern society produces and distributes goods and services, and
02. The behavior of people who work within these organizations.

Ethical issues pertaining to business need to be studied at three levels viz.,

01. Systemic issues relating to questions about the economic, political, legal and social systems or institutions within which business units operate,

02. Corporate issues relating to the questions about particular organizations, and

03. Individual issues relating to the questions about particular individual/s within an organization and their behaviour and decisions.

**Ethical Principles in Business**

The important ethical principle, **Utilitarianism**, is based on how social costs and benefits are weighed. It advocates maximizing utility. It assumes that the quantities of benefits produced by an action which cause harm can be overtaken by the most beneficial actions which result, ultimately, in the maximum benefits or minimum costs. This Principle upholds the justice of distributing the benefits and burdens fairly among people and rights of an individual to freedom of choice and well-being. But, Utilitarian principle falls short in two respects viz.,

01. Normally, values - intrinsically characterized - cannot be measured in quantitative terms like materials, and

02. It fails in fair dealing with a situation which involves the question of rights and justice. Because, the moral rights, which are inheritant in every human being allow him to take an elevated decision so as to add to the happiness or pleasure of others, which is again not measurable in quantitative terms.

Immanuel Kant, founder of **Categorical Imperative** has given the following principle, **an action is morally right for person in a certain situation, if and only if, the person’s reason for carrying out the action that he or she would be willing to have every person act on, in any similar situation**. Kant’s principle lies much on the reason of one’s action rather than on his accomplishment. Universalization and reversibility are the two important aspects of this principle. Further, in his second formulation of Categorical Imperative, Kant says, **an action is morally right for a person, if and only if, in performing the action, the person does not**
use others merely as a means for advancing his or her own interests, but also both respects and develops their capacity to choose freely for themselves.

This principle seems to be vague and inapplicable in all situations as none is similar to other - whether time, individual, situation or anything. Everything is unique every moment in this world. And life or the business, move with the time factor, which changes on a continuous basis. And one cannot see a perfect market wherein Kant’s principles can be applied. Like Kant, many ethicists have viewed justice, fairness, equality and utility from their perspective.

**Why Should the Ethics be brought into Business?**

When all voluntary human activities are governed by ethical standards, why not the business, which is run by human beings, be governed by the ethical standards? This is the first argument in favour of bringing ethics into business.

Secondly, unless the people in a business organization adhere to some minimal ethical standards, it cannot think of living in the society in the long run. Because, as Philosopher Hobbes writes, *in a society without ethics, distrust and unrestrained self interest would create a war of every man against every man and in such a situation, life would become nasty, brutish and short.*

Thirdly, though profit earning is the main goal of a business organization, ethical considerations are to be consistent with its profit pursuit, as one can see with Intel, Proctor and Gamble, etc. As Andrew Sigler Champion’s CEO puts it, **an ethical company will in short run and long run be a better institution ..... Ethical behavior is good business.** But, it does not mean that only the ethical considerations would ensure and are the measuring rod of profit. Because, there are many other factors which affect the profits of an organization. But ethical considerations add to, and reflect, the quality of an organization. Thus, the emphasis on why ethics should be brought into business is supported.
Ethical Issues and Business Activities

As a major institution of the society, business unit has a moral responsibility to observe certain ethics in its functions, activities, etc. Business unit, being an integral part of the society, utilizes the societal resources as its moral right, to accomplish its goal. Hence, it is bounded by the moral obligation to look into the welfare of the society which comprises of,

01. Environment,
02. Stakeholders,
03. Consumers,
04. Individuals in the organization,
05. Creditors,
06. Public,
07. Government, etc.

Business Ethics and Consumer Protection

Every business has to observe certain ethical and moral rules while performing its operations in the attainment of maximization of its profits. Today’s business is consumer-oriented and hence, the business organization which has inculcated this theme only can succeed, but within the framework of ethical principles.

Though the production and distribution of goods and services is consumer-centered, consumers are being exploited by the business organization. And, with the advent of technological developments, entry of multi-national corporations, globalization, etc, market is becoming more and more crucial and complicated for a consumer.

The cult for the protection of consumers’ interests, in this direction, has made a milestone in the way of social welfare. It has alarmed the business people to go with the ethical attitudes which benefit the both.

The Government of India has enacted more than 30 legislations for the protection of consumers’ interests. Among them, The Consumer Protection Act, 1986 which aims at the
protection of consumers by its three tier redressal mechanism is an important piece of legislation as it confers six rights on the consumers.

Apart from the legislations, several voluntary consumer organizations at different levels are engaged in protecting consumer interests. There are at present, more than 1,000 voluntary consumer organizations are working in this direction. Considering the consumers’ importance, many public sector under-takings have brought out Citizens Charter – a voluntary commitment by the supplier to their consumers or citizens for a benchmark minimum standard of service and to set up a mechanism for accountability among staff of the service provider.

It may not be out of context, if the words of Mahatma Gandhi are quoted,

- A customer is the most important visitor on our premises,
- He is not dependent on us, we are dependent on him,
- He is not an interruption in our work, he is the purpose of it,
- He is not the outsider in our business, he is part of it,
- We are not doing him a favor by serving him, he is doing us a favor by giving us an opportunity to do so.

Statement of Problem

Unprecedented changes have been taking place in Indian Economy in this post-LPG era. Business has been on its fast march incorporate as well as non-corporate sectors. The emergence of MNCs, development of Information and Technology, globalized markets, inflow of foreign investment; liberalized policies of the Government, etc have contributed a great deal to the broadening and developing of business arena.

On the other hand, consumers are seriously considered by the government and business organizations, as a result of which many legislatures have been enacted and citizens’ charters have been introduced. Many voluntary consumer organizations are working to protect the interest of consumers.
Still, the cry for the consumer interests’ protection in India is alive. Though the voluntary consumer organizations have emerged as an intermediary to make the consumers aware of their rights and responsibilities, the number of consumer grievances is increasing day by day. The consumers in rural area, for their basic goods and services, are really exploited in spite of these legislation and citizen charters.

Then, who should be held responsible for such a situation? Don’t the businessmen, whether at corporate level or non-corporate level, have moral obligation to protect the interests of consumers? Because, even now, in rural area, most of the consumers are illiterates, poor, not educated about their rights and therefore, they are forced to buy goods and services of inferior quality and/or at higher prices; they are not being served properly. In such a situation, what is the moral obligation of businessmen? Whether to exploit this situation of consumers’ inevitability to make profiteering or to supply qualitative and reasonably priced goods? When do our consumers know that even the business organizations have ethical principles as to the protection of consumer interests?

All these issues need a thorough investigation to find the extent to which good ethical practices of business units protect the interest, and enhance the welfare, of consumers.

**Objectives of the Study**

The primary objective of the present proposed study is to study the inter-relationship between the business ethics and the consumer interest. In this background, the following constitute the tentative objectives of the present study.

- To study the ethical practices by the selected business units in India.
- To evaluate the awareness among consumers, both rural and urban, about their rights, extent of their awareness of legal protection, etc.
- To study the awareness about the ethical principles both among businessmen as well as consumers.
- To study the interrelationship between business ethics and consumer protection in the light of legislations, voluntary consumer organization, etc.
- To offer suitable suggestions directed towards welfare of consumers through good business ethics.

**Methodology**

The study proposes to rely on both the primary and secondary data. Primary data will be collected from both by administering separate and well-structured questionnaires to around 500 consumers including individuals as well as institutions, and 50 business units to be selected from different industries, area, etc. Personal interviews will also be held with the respondents so as to assess the business ethics and their impact on the consumers. Personal interviews will be conducted with the executives of different selected business organizations in both corporate and non-corporate world to get an insight into the applicability of ethical principles in the business and its effect on its profitability.

Secondary data will be collected from the books, journals, magazines, newspapers, newsletters of voluntary consumer organizations, and from e-sources. Appropriate statistical tools will be used for analyzing the survey opinion and data.

**Chapter Scheme**

The tentative chapter scheme has been worked out for the proposed study and the same is presented below.

<table>
<thead>
<tr>
<th>Chapter Number</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Introduction</td>
</tr>
<tr>
<td>II</td>
<td>Research Design</td>
</tr>
<tr>
<td>III</td>
<td>Respondent Business Units and Consumers – A Brief Profile</td>
</tr>
<tr>
<td>IV</td>
<td>Consumer Protection – An Evaluation of Legal Protection</td>
</tr>
<tr>
<td>V</td>
<td>Business Ethics – An Analysis</td>
</tr>
<tr>
<td>VI</td>
<td>Inter-relationship between Business Ethics and Consumer Protection</td>
</tr>
<tr>
<td>VII</td>
<td>Summary of Major Findings, Suggestions and Conclusion</td>
</tr>
</tbody>
</table>

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