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Indian Knowledge System and Ethical Practices In Indian Corporate: An Analytical Perspective

Dr. S. Ramachandran
Assistant Professor
PG & Research Department of Commerce
The Madura College (Autonomous), Madurai, Tamil Nadu, India

Abstract
Values, principles, and a commitment to moral behavior are really at the heart of any responsible business. A company's character isn't just about the financials; it's about the ethical standards it lives by every day. India's ancient wisdom has long understood this, putting good governance and righteous behavior front and center in both economic and social life. Yet, despite this strong heritage, today's business world often tells a different, more troubling story, one filled with corporate integrity and accountability failures. Ancient Indian texts—like the Vedas, Upanishads, Bhagavad Gita, and Kautilya's Arthashastra—offer detailed advice on ethical conduct in both commerce and governance. Central to these teachings is "Dharma"—the principle of righteous duty—which shaped how ancient India viewed transactions, leadership, and institutional responsibility. This study aims to see if these lasting principles can actually help solve the ethical problems that keep popping up in modern corporate settings. Over the last three decades, India's seen a worrying trend of corporate misbehavior. Big cases—like the Satyam accounting scandal, the Harshad Mehta securities fraud, the Sarada Chit Fund collapse, the Sahara fraud case, the ICICI Bank-Videocon loan controversy, and the Nirav Modi diamond scam—have chipped away at public trust and hurt India's image as a growing global business player. As India aims to be a global leader, these ethical slip-ups have consequences far beyond the companies involved. This study suggests that the principles within the Indian Knowledge System, when genuinely applied (and not just paid lip service), can lead to more responsible and stakeholder-aware corporate actions. Embracing these principles more broadly could boost institutional integrity within Indian businesses and contribute to a fairer, more sustainable economy.

Keywords: Business Ethics, Corporate Governance, Indian Knowledge System, Stakeholders, Dharma

Introduction

India, one of the oldest landmasses on Earth, has been ruled by various peoples with diverse ideologies throughout its history. Yet, it has consistently celebrated its culture and ethnic values. India boasts an intellectual heritage spanning philosophy, governance, economics, ethics, education, ecology, health, and social thought. Texts like the Vedas, Upanishads, Arthashastra, Bhagavad Gita, Tirukkural, and a wealth of regional literature collectively lay a strong foundation for ethical conduct and societal well-being.

What's truly remarkable is the enduring relevance of this tradition. Principles articulated centuries ago still offer meaningful guidance for today's societal challenges.

In the modern corporate world, India's 1991 economic liberalization was a turning point. As Indian companies entered a dynamic, globalized marketplace, ethical grounding and structural integrity became crucial. Operating in competitive international environments demanded not just financial agility but a deep commitment to governance values that could withstand scrutiny from diverse stakeholders. Integrating the principles of the Indian Knowledge System (IKS) into contemporary business practice offers a culturally relevant framework for addressing these demands.

Instead of importing governance models that feel disconnected from India's social fabric, IKS-based principles provide an organic foundation for responsible leadership and sustainable growth. This growth genuinely includes all sections of society, making these principles ethically sound and strategically relevant for Indian enterprises navigating the modern world. Business ethics are essentially moral principles that guide how organizations interact with stakeholders like investors, creditors, governments, buyers, and sellers. Corporate governance systems, on the other hand, help steer the company and ensure its interests align with those of its stakeholders.

Effective corporate governance helps prevent fraud and promotes long-term sustainability by establishing accountability and responsibility. Business ethics and corporate governance form a two-pillar model. The first provides moral principles that help ventures avoid acting against moral values. Corporate governance provides established systems and structures that help to adapt, integrate, and uphold ethical and responsible business practices in today's world. Although sometimes used interchangeably, business ethics and corporate governance provide different paths to a company's success and reputation.

Ethical behavior and solid corporate governance? They're basically two sides of the same coin. One strengthens the other, shaping an organization's long-term character. Governance sets the stage for ethical principles to actually work, while strong ethics give real meaning to governance, so it's not just going through the motions. Together, they create something no financial report can truly show: trust. Think of trust as the unseen currency in business. When stakeholders – investors, employees, customers, everyone – trust a company, they're more confident and consistent, making things more predictable and efficient. So, business ethics isn't some high-minded idea; it's a must-have. It lets companies build both profit and a good name, keeping both going strong through how they act, not just how they market themselves. Ethical business means keeping a few promises: sticking to the law, fitting in with community standards, following company rules, making a real contribution through what you sell, the jobs you create, and the wealth generated; and being aware of how your business affects the environment, the people involved, and how the public sees you. Put it all together, and that's what it means to be a responsible part of the bigger picture. Good governance starts from the inside, with a company's own way of doing things and its culture, not with outside rules. Sure, some governance challenges are common across the board, but the specific rules a company follows should match its own situation, values, and who it deals with. Governance is really the base for lasting growth and success. Without it, any short-term wins will likely fall apart from bad management or a lack of trust. When governance works well, it makes sure long-term goals are clear and the right management is in place to reach them. Companies that show they're serious about governance – not just in their policies, but in real results – tend to earn loyalty from investors and customers, who know that ethical organizations make better partners in the long run.

Corporate governance is really just the moral compass for making important business decisions. And there's plenty of proof that ethics pays off. Take Collins and Porras' study, 'Built to Last,' which looked at the years 1926 to 1990. They found that eighteen forward-thinking companies grew shareholder value fifteen times more than the market in general.

Research has clearly linked an ethical workplace culture to how satisfied employees feel. Ethical leadership, in particular, stands out as a major influence on employee engagement and how connected they feel to the company. In India, this issue is becoming increasingly important. As Indian companies restructure, seek international funding, and list on foreign exchanges, governance expectations are much higher. Many global best practices have been adopted and tailored for India, eventually formalized in SEBI's governance framework. This framework applies to all listed companies, showing India's dedication to meeting international governance standards.

Statement of the Problem

Ethical conduct in business is not merely a moral obligation — it is a strategic foundation that sustains long-term credibility and operational integrity. Since every decision a company makes reflects its underlying value system, embedding ethical awareness across all levels of an organization demands more than policy documents; it requires that individuals genuinely internalize what the company stands for.

Effective corporate governance, therefore, cannot be reduced to compliance checklists or top-down mandates. It must grow from within — shaped by internal practices that reflect the organization's actual priorities rather than its stated ones. No two companies share identical cultures, stakeholder pressures, or risk profiles, which means governance frameworks must be tailored rather than borrowed wholesale from industry templates.

For such a framework to take root, its guiding principles must be communicated clearly enough that every employee — from the boardroom to the front line — understands not just what is expected, but why it matters. Rules followed only on paper offer little protection; what organizations need is a culture where ethical standards are upheld in both intent and action.

Review of Literature

Hansson, Liljeblom and Martikainen (2010) explored how family involvement influences firm performance among Finnish SMEs, collecting data via structured questionnaires and applying 2SLS and 3SLS regression techniques. Their analysis revealed that larger family board representation and greater numbers of family-member employees tend to pull down firm performance, whereas the presence of external board members and outside blockholders showed no statistically significant effect.

Renders, Gaeremynck and Sercu (2010) investigated whether corporate governance ratings bear any meaningful relationship to company performance across a sample of European Union firms over the 1999–2003 period. Using OLS regression alongside the Heckman procedure and a three-stage model, they confirmed a consistently positive link between stronger governance ratings and better firm outcomes. The study also observed that corporate governance adoption in Europe remains largely voluntary, with participation expected to grow over time.

Uadiale (2010) focused on Nigerian firms, examining how board structure shapes financial performance through OLS regression. Board size and outside CEO appointments showed a positive relationship with corporate financial performance, as did CEO duality when measured against ROCE. However, director shareholding and CEO duality registered a negative association when performance was assessed through ROE.

Haque, Arun and Kirkpatrick (2011) studied 101 Bangladeshi companies listed on the Dhaka Stock Exchange for 2004–05, examining how firm-level governance practices affect capital structure decisions. Their findings indicated that stronger governance frameworks reduce agency costs, which in turn boosts investor confidence and enhances a firm's ability to access equity financing.

Grove, Patelli and Victoravich (2011) examined how various corporate governance mechanisms artificial the performance of 236 US commercial banks during the monetary crisis years of 2005 to 2008, employing multiple regression analysis. Block ownership, frequency of board meetings, and executive incentive compensation were each positively associated with bank performance, while the remaining governance variables showed negative associations.

Objectives of the Study

The present study has been carried out in order to fulfil the following objectives:

- To examine the role of ethics in corporate governance of business
- To identify the prominent cases of corporate governance failures in India
- To study the ethical considerations in the Indian Knowledge System

Research Methodology

This study takes a descriptive and analytical approach, using existing facts, documented findings, and published information to really dig into the state of business ethics in India today. Instead of creating brand-new data, the research pulls together what's already out there to explore the link between the Indian Knowledge System and how businesses ethically treat their stakeholders.

The research followed a pretty structured path. It kicked off by pinpointing clear research questions, which then shaped the data collection – relying only on secondary sources like academic papers, reports, and case studies. Once we had the data, it went through qualitative analysis. This was a deliberate choice, letting us uncover deeper meanings, contextual nuances, and insights that you just can't get from numbers alone. Ultimately, the findings were interpreted to come to conclusions tied to the research goals.

Analysis of Findings and Discussion

Impact of Business Ethics and Corporate Governance on Stakeholders

Corporate governance and ethical conduct? They're joined at the hip. You really can't have one without the other working well. The Organisation for Economic Co-operation and Development (OECD) calls corporate governance the way a company is directed and controlled. More to the point, the OECD says that good governance creates an atmosphere of trust, openness, and accountability. That kind of environment? It attracts long-term investment and seriously boosts economic strength and financial stability overall. The key takeaway here is that governance isn't just some regulation you have to check off a list. When ethics truly influence decisions and how everyone's treated, governance becomes a real edge. It builds a company's reputation over time and tells investors, employees, and the public that the company's all about integrity. When ethical behavior and solid governance go hand in hand, the good vibes spread far beyond the boardroom. Shareholders gain more confidence in the company's management, which, in time, leads to stronger, more sustainable value. Customers start to trust what the organization offers, which breeds loyalty that leads to repeat business, not just a quick sale. For employees, a workplace based on ethics becomes a place where talented people want to stick around and make a difference. Suppliers and partners also gravitate toward companies known for fair play, leading to more reliable supply chains. And on a larger scale, society wins when businesses act responsibly, helping communities and the environment in ways that earn genuine trust, not just fake goodwill.

Ethical Considerations in the Indian Knowledge System

Arthashastra and Business Ethics

Kautilya's Arthashastra is one of the oldest and most detailed guides to governance and economic behavior. At its heart, it emphasizes Dharma—the idea that ethical duty should be the foundation of all business activities. The text stresses honesty, fairness, and transparency in business dealings, viewing them not as mere options but as essential. It also cautions that corruption and exploitation ultimately weaken the systems they seem to support. Going beyond simple transaction ethics, the Arthashastra sees business as a social entity with duties to the larger community. It pushes business leaders to be philanthropic and contribute to the common good. The text even presents an early concept of sustainability, advocating for careful use of resources and warning against actions that harm the environment for quick profits. Leaders are also held to high ethical expectations: those running businesses should be honest and transparent, prioritizing community welfare over their own interests. These ideas, though written thousands of years ago, still feel relevant in today's discussions about responsible business.

Bhagavad Gita and Business Ethics

Even though it's not a business book, the Bhagavad Gita actually gives some pretty insightful ethical advice that applies to how we run organizations. Take Karma Yoga, for example—it's all about doing your job with everything you've got, but not getting too hung up on what you personally get out of it. This idea really hits home when you're trying to stop personal gain from messing with your decisions at work. If you use this in business, it pushes you to make choices based on what's right, not just what benefits you. The Gita also stresses Dharma, which basically means sticking to your ethical code no matter what. Just as important, it tells us to treat everyone kindly and with respect. That's a value that totally fits in with how companies should treat their workers, customers, and the community. The book also encourages always trying to get better and learn more, which is exactly the kind of thoughtful, learning-focused leadership that ethical companies need. All together, these lessons give you a solid way to deal with the tricky ethical stuff that comes up in business today.

Business Ethics in the Ramayana and Mahabharata

India's two great epics, the Mahabharata and the Ramayana, aren't just stories; they're packed with ethical wisdom that's surprisingly relevant to business and how we deal with each other. Take Yudhishthira in the Mahabharata. He's the picture of an ethical leader: totally honest, feels a strong sense of duty, and always treats his people fairly. His leadership style is all about building trust with everyone involved and refusing to use lies to get what he wants, no matter how tempting. The Ramayana adds another layer, focusing on relationships as key to good leadership. Rama's actions – showing empathy, respect, and real care for others – prove that you build strong bonds with employees, customers, and partners through character, not just authority. He valued everyone's contributions and always treated people with respect, values that are still vital for a positive workplace. Both epics highlight how important it is to be socially responsible. Yudhishthira and Rama both put their communities first, running things in a way that benefits everyone. These old stories remind us that ethical business isn't some new idea; it's a value that's been part of India's storytelling for ages.

Application of IKS in Indian Corporate Sector

The following areas of business ethics may be borrowed from Indian Knowledge System and applied in Indian corporate houses:

1. Keeping Traditional Knowledge Alive: Protecting traditional knowledge isn't just about archiving; it's a deeply ethical responsibility. Communities have nurtured this knowledge for generations and have every right to see it protected. Any governance should make sure this heritage is truly preserved, not lost to commercial use or neglect.
2. Giving Credit Where It's Due: People who hold and use traditional knowledge deserve real recognition, not just a pat on the back. Ethical governance means actual benefits—financial, legal, or institutional—should go back to the communities where the knowledge comes from. This shows a real commitment to fairness, not just a symbolic gesture.
3. Respecting Indigenous Rights: Indigenous communities have fundamental rights that go beyond just knowledge. These rights include their land, cultural identity, and the ability to make their own decisions. Ethical guidelines must treat these rights as absolute. Policy decisions that affect indigenous people should be made with their input, not for them.
4. Finding Balance in Intellectual Property: A single intellectual property approach doesn't work for traditional knowledge. Ethical policy here means walking a line—keeping doors open for education, research, and new ideas, while making sure protection doesn't block broader benefits for everyone.
5. Being Culturally Aware and Inclusive: Education systems that only value dominant knowledge can push whole communities to the side. Ethical practice means actively welcoming different knowledge systems and views. Cultural sensitivity should be a core part of creating inclusive learning environments, not just an extra thought.

Sustainable growth, in terms of both revenue and profit, is becoming increasingly tied to ethical business practices. In today's super-competitive world, companies that treat ethics as an afterthought are really putting themselves at risk. Based on research and the facts we've gathered, here are five practical steps for truly embedding business ethics within an organization:

1. Be Honest About Needs and Resources: Before you can even think about building an ethical framework, a business needs to take a good, hard look at itself. That means spotting the gaps between what you say you value and what you actually do, and being honest about what you have to work with to fix those gaps.
2. Lay a Solid Foundation: You can't just wing ethics. Organizations need clear principles, policies, and solid governance to give ethical expectations real form that employees at all levels can get behind.
3. Build a Culture of Integrity from the Top: Culture comes from actions, not just policies. When leaders show ethical behavior in their day-to-day decisions, it sets a standard that everyone notices. When integrity is modeled at the top, it becomes the standard, not just a nice exception.
4. Keep Values Front and Center: An ethical culture isn't just about big moments; it's about the small, everyday choices too. By keeping values at the heart of both major strategic moves and smaller operational calls, ethics stays alive and doesn't just become a once-in-a-while thing.
5. Re-evaluate and Revise Constantly: No ethical framework is perfect forever. As business changes, so do the challenges. Organizations need to regularly check their ethical standards, see how well they're working, and tweak their approach to stay relevant and responsible.

Conclusion

India's ancient philosophical traditions provide a surprisingly relevant ethical framework for today's corporate world. As Indian companies increasingly compete on a global stage, they can find a solid foundation for responsible governance and sustainable growth by drawing upon the Indian Knowledge System (IKS). Think of principles like Dharma (righteous conduct), Satya (truthfulness), and Seva (selfless service). The roots of Indian ethical thought run way back. Texts like the Vedas, Upanishads, Puranas, and Smrithis laid out detailed codes of moral conduct ages before modern management theory even existed. Even now, the Mahabharata and Ramayana offer valuable lessons for business ethics, exploring themes of duty, accountability, and what happens when morals fail. Kautilya's Arthashastra tackles the ethical side of commerce with a level of sophistication that still feels relevant today. Plus, India's folklore reflects a deep cultural commitment to fairness and honesty in business dealings. All these traditions together mirror exactly what good corporate governance requires: things like discipline, transparency, accountability, and fairness. Without those qualities, organizations risk financial exposure, legal trouble, and a damaged reputation. Truly weaving IKS values into Indian corporate culture – going beyond just paying lip service to them – offers a real path toward governance that's both globally respected and genuinely Indian.

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