Review Article

Consumer Awareness of Social Ethics in Business

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I N F O

A B S T R A C T

The article discusses the growing importance of consumer awareness about social ethics in business, emphasising the role of transparent communication in fostering awareness and aligning operations with ethical standards. It also discusses the evolving expectations of consumers, who are prioritising socially responsible brands. The study contributes to a comprehensive understanding of the dynamic relationship between consumer awareness and the integration of social ethics in contemporary business practices. Consumer awareness is crucial for promoting social ethics in business, as it drives companies to adopt ethical practices. This paper explores the role of consumers in influencing corporate behaviour and the impact of ethical business practices on society. Consumers are more likely to support companies that align with their values, leading to more informed choices. Ethical businesses contribute positively to various aspects of society, such as environmental conservation, fair labour practices, and community development. Consumers also empower individuals to hold businesses accountable through social media and online platforms, influencing companies to adapt their strategies and policies. However, challenges like misleading marketing and insufficient transparency hinder consumers' ability to make informed decisions. Nowadays consumers are becoming more aware of the role of businesses towards society. This review will shed some light on the recent trends in consumer awareness towards social business ethics.

Keywords: Ethics, Consumer Awareness, Ethical Practises, Society, Role, Trends, Social Ethics

Introduction

The ethical behaviour of businesses is crucial in today's socially conscious world, as consumers demand transparency, accountability, and social responsibility from their companies. This shift highlights the need for businesses to align their practices with ethical standards that prioritise profitability and societal well-being. This review article explores the relationship between consumers and businesses regarding social ethics, focusing on factors influencing consumer awareness, attitudes, and behaviours toward socially responsible businesses. It analyses the impact of consumer awareness on business practices, corporate reputation, and long-term sustainability. Using an interdisciplinary approach, it provides a comprehensive understanding of consumer awareness about social ethics in business, offering actionable insights for businesses, policymakers, and stakeholders to foster a more ethical and sustainable marketplace.

Objectives

- To analyse the latest trends in social ethics in business

- To explain with various examples and case studies how today's customers are becoming more aware of ethics in business

- To analyse the effect of increasing consumer awareness on the improvement of CSR and social ethics among businesses

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Literature Review

Research has been conducted on the concept of social responsibility (CSR) and its theoretical roots in stakeholder theory. CSR is seen as an investment intended to maximise a firm's profits, as the risk and cost of CSR involvement are much lower than those of less socially responsible counterparts. However, there is a lack of knowledge regarding CSR development in Europe, as indicated by Rananger & Zobel (2014). The main difficulty expressed here is the manner in which CSR has been addressed in the business sector.

Human values are an additional important driver of the behaviour of companies. Several empirical studies have been conducted to measure consumers' awareness of a company's CSR actions, with all these studies highlighting the need for more communication of their CSR practices. Consumers often have difficulty understanding the concept of CSR, which can be a major barrier to acquiring a positive attitude. This can influence them to choose a socially responsible company.

The bulk of the research attests that there is a positive influence of CSR actions on the financial performance of the companies. Most studies focus on the fact that companies that publicise their socially responsible actions can positively impact consumers' purchase behaviour. However, the influence of CSR on the decision processes of consumers is complex and differentiates between intention and actual behaviour. More specifically, Tian et al. (2011) found that awareness of socially responsible actions only had a significant positive effect on the purchase intention of consumers.

Consumers believed that rewarding companies that adopt CSR activities could be a motivating factor for other companies to be more socially responsible. They were more willing to purchase products from companies that care about society and even willing to pay more for them. However, Bhattacharya & Malani (2013) concluded that only a minority of respondents were inclined to pay higher prices for products of socially responsible companies. In the same context, Gupta & Hodges (2012) concluded that although consumers were willing to pay more, they disagreed about the amount and considered it not right for them to pay for CSR activities.

Limited studies have been conducted on the demographic characteristics of consumers who respond positively to CSR activities. Results indicated that women, higher-education, and higher-income groups are more supportive of the company's socially responsible actions.

Carrigan & Attalla (2011) found that older consumers are more likely to take ethical issues into account when purchasing products, whereas Tian et al. (2011) concluded that consumers with a middle level of income and age would be more supportive of a firm's CSR practises.

In conclusion, there is a wealth of research attempting to define what it means for a company to be socially responsible. CSR and CER are two of the most important features that characterise a "good" company nowadays. However, there is a lack of knowledge regarding CSR development in Europe, as well as the complex relationship between CSR and financial performance.

Meaning of Social Ethics in Business and CSR

Social ethics in business refers to the moral principles, values, and standards that guide the conduct of businesses in relation to their impact on society and stakeholders. It encompasses the ethical responsibilities businesses have beyond their pursuit of profit, focusing on the well-being of employees, customers, communities, and the environment. Key aspects of social ethics in business include Corporate Social Responsibility (CSR), ethical business practises, stakeholder engagement, environmental sustainability, and diversity, equity, and inclusion (DEI). CSR involves businesses taking responsibility for their impact on society and the environment through philanthropy, environmental sustainability initiatives, ethical labour practices, and community engagement. Ethical business practices involve conducting operations with integrity, honesty, fairness, and respect for human rights. Stakeholder engagement involves fostering transparent communication, soliciting feedback, and addressing concerns to build trust and mutual benefit. Environmental sustainability involves minimising negative environmental impacts and contributing to the conservation of natural resources. DEI promotes diversity, equity, and inclusion in the workplace and interactions with customers and communities. In summary, social ethics in business emphasises the importance of businesses operating positively, promoting ethical values, and respecting the rights and dignity of all stakeholders.

Why are Social Ethics and CSR Important in Business?

Understanding Business Ethics and Social Responsibility

- Business ethics are values and principles guiding a company's operations, including honesty, integrity, respect, fairness, transparency, accountability, and social responsibility.
- Social responsibility is a company's commitment to doing what is right for the community, environment, and stakeholders, including reducing waste, using renewable energy sources, and engaging in philanthropy.

Importance of Business Ethics and Social Responsibility

- Business ethics promote fairness, trust, and transparency, ensuring the organisation operates ethically.

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- Adherence to business ethics can lead to a better working environment, better sales and profitability, and a positive reputation.
- Ethical practises ensure business practises are within the law, minimising legal risks.
- Social responsibility, or corporate social responsibility, involves organisations taking responsibility for their actions on society and the environment, helping to combat climate change and improve public health.
- Businesses that prioritise ethical behaviours and social responsibility can improve profitability, employee engagement, and customer loyalty.
- As businesses grow, it's crucial to align their actions and decisions with their corporate values, leading to a stronger reputation and more sustainable profits.

Increasing Consumer Awareness about the Social Ethics of Business Entities

Businesses play a crucial role in shaping social and ethical norms, and with globalisation and digitalisation, consumers are becoming more aware of their social responsibility. To increase consumer awareness about the social ethics of businesses, various strategies and mechanisms can be employed.

Social ethics in business refers to the moral principles and values that guide corporations' behaviour towards society and the environment. These include fair labour practises, environmental sustainability, corporate governance, community engagement, and ethical marketing. Businesses are expected to operate with integrity, transparency, and accountability, considering the broader impact of their actions beyond profit-making.

However, many consumers remain unaware of the practises and policies of businesses, which can be attributed to factors such as limited transparency from corporations, information overload, greenwashing, and apathy toward ethical considerations while making purchasing decisions. Strategies for increasing consumer awareness include transparency and disclosure, education and advocacy campaigns, consumer empowerment, corporate engagement, and regulation and enforcement. Transparency and disclosure involve businesses providing clear and comprehensive information about their social and environmental performance, such as sustainability reports, supply chain practices, and ethical breaches or controversies. Education and advocacy campaigns can integrate topics related to corporate social responsibility into curricula and awareness programmes, while non-governmental organisations and civil society groups can organise campaigns to highlight ethical issues and empower consumers to demand accountability from corporations. Consumer empowerment can be achieved through consumer guides, certification labels, online platforms, social media, and online forums.

Corporate engagement is essential, as businesses have a responsibility to engage with consumers on social ethics through dialogue sessions, stakeholder consultations, and participatory decision-making processes. Government regulations and enforcement mechanisms play a critical role in ensuring businesses adhere to social and ethical standards.

Enhancing consumer awareness about the social ethics of businesses is essential for promoting responsible corporate behaviour and advancing societal well-being. By fostering transparency, education, empowerment, engagement, and regulation, stakeholders can collectively work towards building a more ethical and sustainable business environment.

Why is Consumer Awareness Increasing?

In the present modern business world, the consumer is becoming more aware and conscious about his consumer rights and social ethics in business. The following are some major reasons for increasing consumer awareness:

- **Consumers getting educated:** Nowadays as consumers are getting more and more education, they are becoming aware of the quality of products, their ingredients, the social ethics policy of various companies, etc.
- **Consumers becoming health conscious:** Nowadays, due to increased knowledge and education of consumers, they are becoming more and more conscious about their health. Consumers use only those products that don't have any negative effect on their health. In the case of FMCG products, consumers buy only such products which are good for their health.
- **Various initiatives taken by government:** The government of India has also started various training programmes and conducted various seminars to educate and spread awareness among consumers. These government measures play a more important role in less educated areas because in such areas the consumers get knowledge only through government initiatives.
- **Improved consumer protection laws:** The government is always trying to improve consumer protection laws to safeguard the interests of consumers.
- **Consumers becoming aware of their basic rights:** Nowadays almost all consumers are aware of their basic rights. They know very well what is good or bad for them and they also know how they can complain against anyone to fight for their basic consumer rights.

New Laws and Consumer Rights related to CSR

- Section 135 of the Companies Act 2013 mandates companies to allocate at least 2% of their average net profits from the preceding three financial years towards CSR activities.

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- Companies with a net worth of Rs. 500 crores or more, a turnover of Rs. 1000 crores or more, or a net profit of Rs. 5 crores or more during the preceding financial year must form a CSR Committee of the Board.
- The CSR Committee formulates and recommends a CSR policy, indicating the activities to be undertaken by the company and monitoring the implementation of the policy.
- The committee prepares an annual report on the company's CSR activities, which should include specifics of the CSR initiatives or activities, the money allocated to each initiative, and the impact of the activities on society.
- Other laws and regulations in India promote CSR, such as the Securities and Exchange Board of India (SEBI) mandates that companies listed on the stock exchange must provide a Business Responsibility and Sustainability Report (BRSR).
- Recent developments in CSR in India include the digitalisation of CSR, the inclusion of COVID-19 relief measures under CSR, the introduction of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), emphasis on education, partnership with non-profits, promotion of social entrepreneurship, and a focus on impact assessment.
- The Companies (Corporate Social Responsibility Policy) Amendment Rules 2022 have introduced a new format for the yearly report on CSR efforts, focusing on transparency and accountability.
- Despite criticisms, CSR is becoming more critical for companies to promote sustainable development and contribute to society.

Case Studies

Coca-Cola Company (KO)

In 2010, Coca-Cola initiated the 5by20 initiative to empower women worldwide. The company stated the following statement–

"Through 5by20 programmes around the world, we equip women entrepreneurs to overcome social and economic barriers by providing business skills training, access to financial services, and assets, and connections with peers and mentors. The women participating in 5by20 work in roles across our value chain including retailers, suppliers, producers, artisans, and more."

Visa Inc. (V)

Visa Inc. has developed innovative methods to bring digital cash to areas without financial infrastructure or for those without access to the financial system, such as residents of developing countries, through its financial inclusion programme. Visa Inc. made the following statement.

"Today, about half the adult world lives in the informal economy, dealing exclusively in cash. To be one of these estimated 2 billion people is to face financial barriers that make life risky, expensive, and inefficient. Financial inclusion helps put people on a path out of poverty, creates productive, empowered citizens, fosters business opportunities, and fuels economic growth."

CSR of Infosys Company

Infosys, a global technology and consulting leader, has been a significant force in the realm of corporate social responsibility (CSR). The company's focus on education, healthcare, rural development, and destitute care has significantly improved the lives of millions of people, particularly in India. Infosys' approach to CSR is not just an obligation but an opportunity to catalyse lasting change. The company's Computer Classrooms programme has provided computers and other educational resources to over 50,000 schools in India, reaching over 10 million students. The Rural Reach programme has provided scholarships and other support to over 200,000 students from rural areas, helping them pursue higher education. The Fellowship Programme has provided fellowships to over 1,000 students pursuing postgraduate studies in science and technology, helping to develop the next generation of leaders in these fields.

In a society where well-being is a fundamental right, Infosys Foundation's healthcare projects have played a pivotal role in providing medical assistance and promoting good health in remote and underserved areas. The company's Healthcare programme has supported the construction and operation of over 50 hospitals and clinics in underserved communities, reaching over 10 million people. The Mobile Medical Units programme has provided mobile medical services to over 10 million people in remote and inaccessible areas. The HIV/ AIDS Prevention and Care programme has reached over 1 million people with awareness and prevention education and provided care and support services to over 10,000 people living with HIV/ AIDS.

Infosys' rural development initiatives have empowered rural communities and improved their livelihoods. The company's Rural Development programme has supported initiatives in areas such as agriculture, water resource management, and sanitation, benefiting over 1 million people. The Self-Help Groups programme has supported over 100,000 self-help groups among women in rural communities, helping them become economically empowered.

The Microfinance programme has provided microfinance loans to over 500,000 rural entrepreneurs, helping them start and grow their businesses. The company's destitute care initiatives have helped provide food, shelter, and other essential services to over 10,000 destitute people. The Old Age Homes programme has supported over 50

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old age homes that provide care and support to over 5,000 elderly people without families or support systems. The Orphanages programme has supported over 100 orphanages that provide care and support to over 10,000 orphaned children.

The role of environmental stewardship cannot be overlooked. As C-suite leaders, we understand the global impact of corporate carbon footprints. Infosys has taken significant steps to reduce its environmental impact through energy-efficient measures and sustainable practices, setting a precedent for industry sustainability.

Infosys' CSR initiatives have had a significant impact on society, both in India and around the world. The company's commitment to CSR is an inspiration to other companies and sets the standard for corporate responsibility in India. As C-suite leaders, our roles extend far beyond the boardroom. They are entrusted with the responsibility of shaping not only their organisations but also the communities and societies in which they operate. Infosys' approach to education, healthcare, environmental sustainability, and community development serves as a benchmark for us all.

Best Ways for Businesses to Adopt Best Social Ethics Practises

- Craft a mission and objective that supports ethics and social responsibility.
- Core values should be defined and maintained to reinforce the company's mission and uphold social standards.
- Core values include integrity, kindness, openness, humility, community, knowledge, growth, and transparency.
- Businesses should focus on local community impact to spread positive influence and increase brand awareness.
- Support environmentally and socially conscious initiatives to attract customers and loyal employees.
- Encourage open communication to foster strong business ethics and improve morale.
- Consider ethics during the hiring process to hire employees who share similar core values and believe in the business's mission.
- Lead by example by abiding by the company's code of ethics and regularly updating employees on company events and changes.
- Express compassion by being generous and kind to consumers and employees, and making socially conscious decisions that positively affect the community or employees.

Conclusion

This review emphasises the importance of consumer awareness about social ethics in business. It highlights how ethical considerations can significantly influence consumer choices and brand loyalty. As businesses navigate a socially conscious marketplace, prioritising ethical practises aligns with consumer values and contributes to long-term sustainability and success. Further research and efforts to promote transparency, accountability, and ethical responsibility are crucial for fostering trust and empowering consumers to make informed decisions that positively impact society.

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