Research Article

Investigating Employee Perceptions of Ethical Sustainability in Companies

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ABSTRACT

In today's business environment, corporate governance and strategy have come to focus heavily on the relationship of sustainability and business ethics. This paper examines the complex link between sustainable development and ethical business practices, making the case that moral concerns are essential to reaching long-term sustainability objectives. Integrity, justice, and responsibility are just a few of the values that make up business ethics. The first section of the paper outlines the introduction to importance of Ethical practices, fundamental ideas of sustainability and business ethics, emphasising how they have developed historically and how important they are becoming to corporate goals. It also talks about the importance of religious principles which have focussed on ethical practices in business. Also, some case studies as examples of companies which are concentrating on ethical practices, followed by some examples quoting unethical practices and scams happened in India. Next section is dedicated to the Research methodology and data analysis, the primary data has been collected from 61 respondents, whose perception about ethical and sustainable practices have been captured and analysed descriptive and inferentially it is found that in most of the cases various age group respondents are not significantly different in terms of ethical, sustainable practices but only in 2 instances like the long-term profitability and level of importance with respect to sustainability practices and profitability there are differences of perceptions.

Introduction

Companies are taking the role of corporate citizens (Beckmann & Pies, 2008). Hence most of the companies are making efforts to contribute some way or the other as they are getting all inputs from the society. In today's business world, balancing moral values with profitability is increasingly important. This relationship is especially clear when we talk about sustainable development and ethical business practices. Sustainable development means meeting current needs without harming the ability of future generations to meet their own needs. It focuses on managing resources responsibly, taking care of the environment, and ensuring fairness in society.

Ethical business practices go beyond just making money. They involve being fair, honest, and accountable to everyone affected by a business—like employees, customers, communities, and the environment. As the companies would feel that they are getting all the resources from society, they want to give something in return to the society. When companies adopt ethical practices that support sustainable goals, they not only benefit society but also improve their long-term success and reputation.

REVIEW OF LITERATURE

Emotional commitment towards the companies by employees will be directly impacted wit CSR activities. In most of the cases, as the employees will have more access to information about the CSR activities of the company, the employees can have more commitment towards the company. This has been observed from a survey of 6000 employees from different countries (Kim & Lee, 2022). CSR practices will have a positive impact on organizational commitment of the employees and also lead to build long term relationship with the company. (Choi & Yu, 2014). To make any organization ethical, it should have some practices such as ability-enhancing practices, opportunity enhancing practices, but some practices may lead to create egoistic climate such as motivation enhancing practices. If the organization can improve the positive relationship between opportunity-enhancing practices and motivation-enhancing practices, then the company can build ethical culture among the employees. (Guerci et. al, 2015). Employees Corporate Social Responsibility and Ethical Leadership are inversely related to turnover intention and also the employee job satisfaction will lead to ethical behaviour with the firms. A survey of 851 employees of different industries has proved the above-mentioned fact (Netaji et. al, 2021). Most of the companies are feeling CSR as not only as commercial interest but also the competitive advantage. Many businesses are perceiving that CSR is not a luxury but leads to synergy. That's why majority of the firms implemented CSR in all the operations and verticals (Varenova et. al, 2013). Stakeholder perception is one important aspect which should be considered while studying CSR. Most of the stakeholders who are in different positions of

the firms inside and outside are expecting to achieve economic as well as environmental performance. This has been observed with the help of a research by taking a sample of 141 firms' observation for the period of 2017-19 (**Hristov et. Al, 2024**). The petroleum companies' profitability is impacted due to sustainability practices of US, Sustainable practices such as flaring reduction, water re-cycling and usage of natural gas yield good results in terms of reduction of pollution which made companies more sustainable. The data has been observed for 16 companies and five years data has been gathered for the purpose of study (**Small, 2017**). NGOs have taken responsibility of creating awareness against the manipulations of firms. Many NGOs are working to curtail the companies from misusage of natural resources, unfair means of procurement and exploitation of customers. They want all the companies to be a good "corporate citizen" as they have observed some companies harmed the society in multiple ways (**Teodorescu & Ionescu, 2014**). Most of the Indian companies are doing good in terms of CSR, it is also observed that Human Resource department needs to focus more on aligning the CSR and policies related to HR so that employees will be more inclined towards the Sustainability (**Sharma & Tewari, 2017**). Customers play a vital role in the longterm profitability of the firms. The companies which are adopting innovative strategies to fulfil the requirements of customers are more liked by the firms and especially if the practices are more sustainable, more will be the satisfaction level of the customers (**Mendonca, & Zhou, 2019**).

The Impact of Religion and Culture on Business Ethics in India

Religion and culture can influence ethical behavior in business. It is suggested that there has been and continues to be, a deep interrelationship between religion, business ethics, and economic activity in India (**Berger & Herstein, 2014**). Religion and culture play a big role in how people behave ethically in business. In India, this connection is very strong because the country has many different religions like Hinduism, Islam, Christianity, Sikhism, Buddhism, and Jainism.

In Hinduism, ideas like Dharma (duty and righteousness) and Ahimsa (non-violence) encourage business leaders to act honestly and with integrity. The belief in Karma, which means that good actions lead to good results and bad actions lead to bad results, also pushes people to be fair and honest. Islam, another important religion in India, also shapes business ethics. It teaches honesty, fairness, and social justice. Islamic teachings discourage lying and cheating, making it important for businesspeople to be trustworthy and fair.

Sikhism focuses on honest living, helping others, and community welfare. This means that in business, Sikhs are encouraged to be fair, transparent, and care about the well-being of others. These religious beliefs are deeply woven into Indian culture, creating a business environment where ethical behavior is often linked with spiritual values. This ongoing connection between religion, business ethics, and economic activity shapes a unique ethical landscape in India, where business decisions are influenced by both religious values and cultural norms.

Table 1: Companies and CSR activities

Company name	Ethical and sustainable practices
Tata Steel	Cares about people and environment by helping in education, healthcare, jobs in communities where they work. Honesty, protection of nature, trustworthiness, transparency in financials and sustainability is their main concentration. More than a hundred years, people feel the company as the most ethical company in India. The company shares profits not only to the share and stakeholders but also to the people who are in need.
Infosys	Aids in promoting education, primary healthcare, environmental protection, digital learning to common people and skills training to rural people. Fair treatment and honesty are their policies. Uses renewable energy and less wastage also contributes to environmental protection.
Wipro	Since 2008, Wipro has cut down the greenhouse gas emissions by 46% and uses renewable energy for 40% of its activities. Education, Community development, primary healthcare, disaster relief and ecology are main principles of the company. Considered as one of the most ethical companies in the world. Ethicality and sustainability are important objectives of the company. Also focuses on bio-diversity, water conservation and waste management.
ITC	Helping the rural population, protecting the environment, supporting healthcare and education are main objectives of the firm. People consider the company as accountable, honest and fair towards the society. To encourage sustainability, they use eco-friendly farming techniques and try to uplift the farmers' financial position
HDFC Bank	Has undertaken many community development projects, improving health, education and sustainability projects. Improves financial literacy among the people, and adheres to compliance & regulations, also known for fair treatment of customers and employees.
Nestle	Responsible sourcing of materials, water conservation practices, support to local communities, education programs and nutritional programs
Hindustan Unilever Limited	Programs for improving health, hygiene, rural education with the programs such as Project Shakti, Swachh Aadat Swachh Bharat, they also promote water conservation and adoption of renewable energy to protect environment
Mahindra & Mahindra	As a part of corporate social responsibility, rural development, healthcare and education have been considered as paramount importance by M & M. Vocational training, ways to improve agricultural productivity, supporting local communities and also fair treatment of employees, commitment to diversity and inclusion in the workplace are also leading to sustainability
Larsen & Toubro	Providing opportunities for improving skills, healthcare and environmental protection with various activities
Bharati Airtel	Contributed for environmental protection, girl child programs and programs for healthcare are the activities

Insights from Indian Cases on Ethics and Corporate Social Responsibility

Table 2: Some Important scams happened in India

Scam	Responsible person(s)	Scam information	Result
Satyam Computers Services Scam in 2009	Mr Ramalinga Raju, founder of Satyam computer services	Lying about how much money the company was making by fake financial records, company misused the funds for personal reasons	People lost trust on the company and share value has crashed completely
Harshad Mehta scam	Mr Harshad Metha in 1992	Manipulated Bombay Stock Exchange with the loopholes in the banking system. Used banks money for hiking the stock prices and bribed bank officials, made them to invest the banks money in the stocks which he wanted to boost up the values	Many investors lost huge money by investing in risky stocks, many people committed suicides due to financial losses and some bank officials also
Indian commonwealth games	Mr Suresh Kalmadi (Accused) 2010	Bad administration and lot of financial misuse complaints, poor facilities and extra charges	Inflating the contracts and large amount about Rs 70000 crore has misappropriated
2G Spectrum scam	Ruling party has been accused along with the then Telecom ministry, Between 2008 to 2010	Dishonest deals by selling licenses for 2G spectrum at very lower prices than its original prices. Country lost billions of dollars	**Loss of public trust, economic impact and reputation problems**
PNB Scam	Nirav Modi and Mehul Chosi in 2018	Unethical Letters of Undertakings which cost more than $ 2Billion without proper security backup	Bank has to got merged with Oriental Bank of Commerce and United Bank of India

Using Sustainability: Challenges and Opportunities for Ethical Leadership

Adopting sustainable practices means leaders face both challenges and opportunities, especially when it comes to business ethics. Leaders who prioritize sustainability have to deal with things like high initial costs, resistance to changing from old ways of doing things, and the complexity of using new sustainable technologies. Overcoming these challenges needs creative thinking and careful planning.

But choosing sustainability also brings big chances. It can improve how people see a company, making it more attractive to customers and investors who care about the environment. Leaders who make sustainability part of their business strategy can also save money in the long run by using fewer resources and lowering costs. Plus, they can reduce risks linked to laws about the environment and the effects of climate change.

When it comes to business ethics, leading sustainably means making choices that look beyond just making money. Ethical leaders are clear about what they do, treat everyone fairly, and take responsibility for their actions. They care about more than just profit—they also care about their workers, customers, the communities around them, and the planet's future.

Leaders who embrace sustainability are often forward-thinking and see how doing well in business connects with taking care of the environment and being responsible in society. They set clear goals, measure what they achieve, and encourage everyone in their company to act with integrity.

Overall, adopting sustainable practices needs leaders who stick to their values, are ready to try new things, and can balance short-term goals with long-term plans for sustainability. It's about making a positive impact on the world while also growing and making money in a way that lasts.

Research Methodology

Objectives of the study

- To understand the challenges pulling back the companies from implementing sustainable and ethical practices
- To understand the factors encouraging the companies to become sustainable and ethical
- To understand the perception of employees on sustainability and profitability

Need for the study

Human beings are dependent on the resources available on the earth. With the increasing demand, the companies also growing and they are using innovative methods of reducing the cost of production. Many companies are opting for unethical practices for boosting up the profits, in spite of knowing some ingredients are harming the consumers, the companies are using sub-standard & harmful materials in the production process. Customer's health is getting negatively affected due to this. Companies also harming the planet by unfair means of production such as over-usage of resources natural resources and polluting the Earth. There are many biased treatments in terms of Gender, Region, Accent, Religion and caste etc. Hence there is a need to understand how many respondents are feeling that they are working in Ethical and Sustainable companies and also the challenges of companies for implementation of Ethical & Sustainable practices. Also, what factors will encourage companies to become Ethical and Sustainable is a utmost requirement in the contemporary world.

Scope of the study

ESG practices followed by the companies have been considered for the research and the perception of respondents on the practices implemented by the companies. What challenges will restrict companies not to become Ethical and what factors will motivate the firms to become Sustainable have

been covered in the present study. It also talks about the relationship between Sustainability and long-term profitability.

Collection of Data & Data Analysis

Both **Secondary** and **Primary data** has been collected for fulfilling the objectives of the study. The primary data has been collected with the help of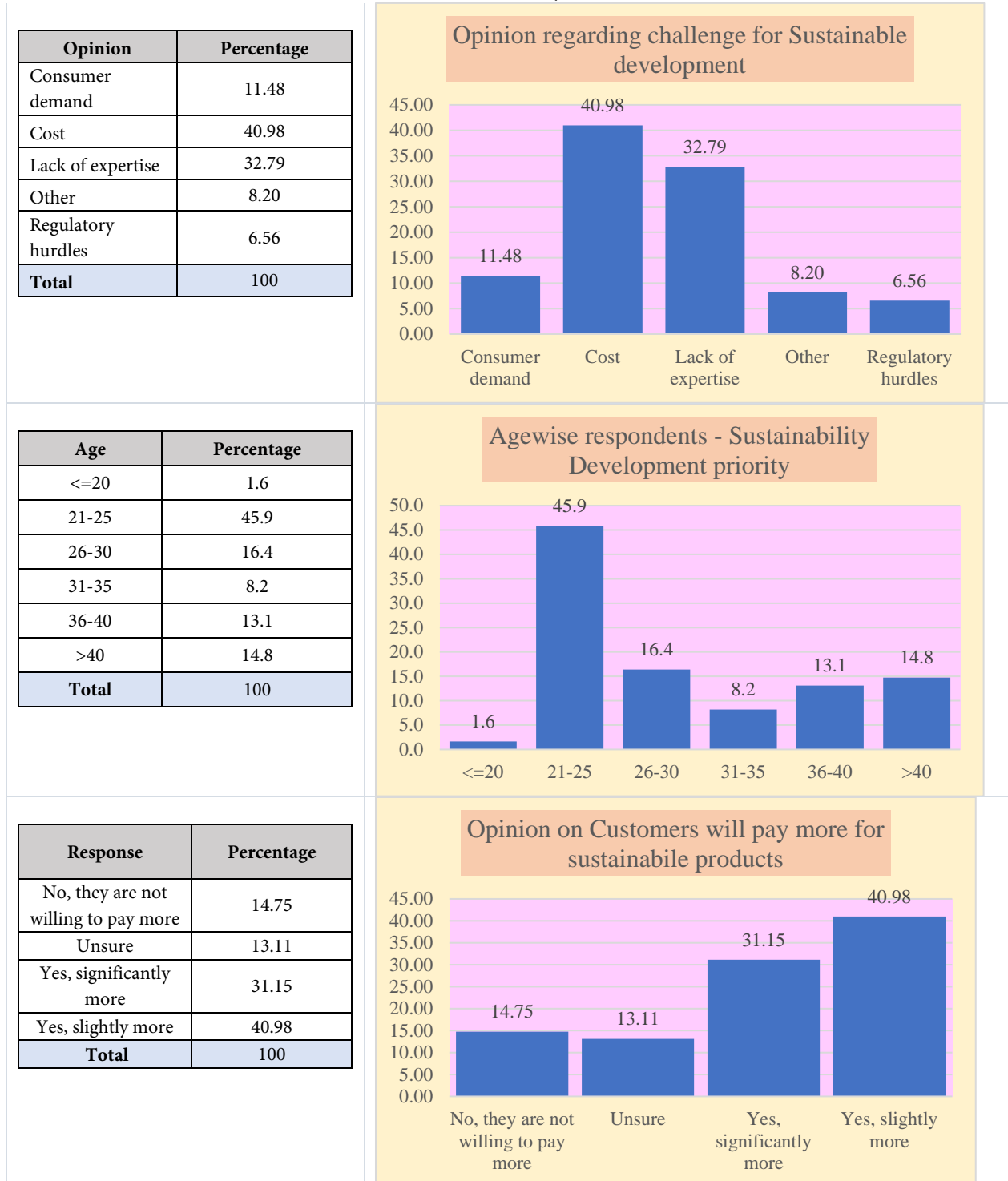 **Structured questionnaire** has been used to collect the data. The data has been collected using the **Convenience sampling** with a **sample size of 61** responses.

The collected data has been analyzed with the help of **Descriptive statistics** using percentage analysis, various charts and graphs whereas the **Inferential statics** has been done with the help of **Hypothesis testing** and χ^2 **analysis** at 95% of confidence level.

Data Analysis

Table 3: Analysis of respondents' perception towards companies' sustainable practices
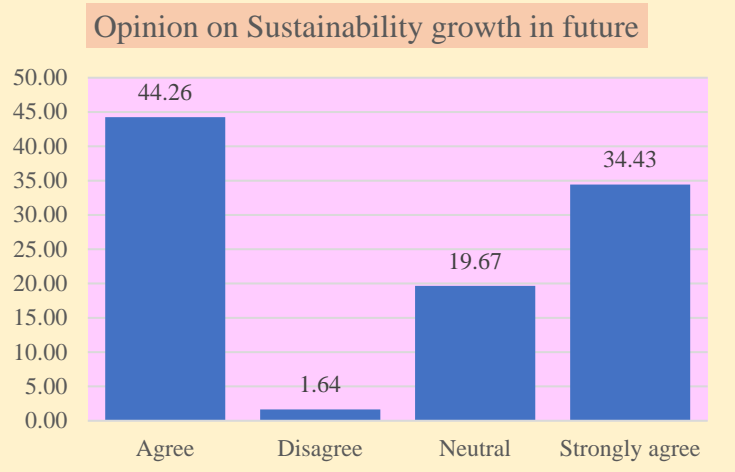**Data Source: Collected by the Authors**

Opinion	Percentage
Consumer demand	11.48
Cost	40.98
Lack of expertise	32.79
Other	8.20
Regulatory hurdles	6.56
Total	**100**

Age	Percentage
<=20	1.6
21-25	45.9
26-30	16.4
31-35	8.2
36-40	13.1
>40	14.8
Total	**100**

Response	Percentage
No, they are not willing to pay more	14.75
Unsure	13.11
Yes, significantly more	31.15
Yes, slightly more	40.98
Total	**100**

Incentive type	Percentage
Consumer awareness campaigns	21.31
Grants and subsidies	32.79
Other	8.20
Stricter regulations	14.75
Tax incentives	22.95
Total	**100**

Incentive type
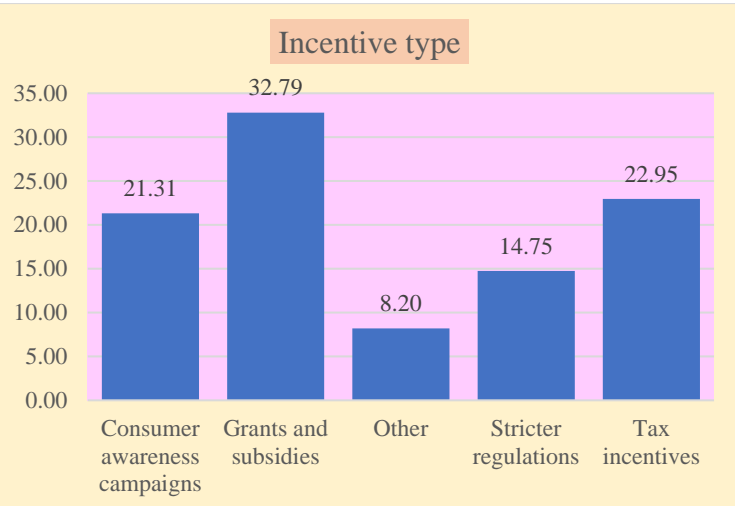
Opinion	Percentage
Strongly agree	34.43
Agree	44.26
Neutral	19.67
Disagree	1.64
Strongly disagree	0.00
Total	**100**

Company's profit will grow for sustainable companies

Opinion	Percentage
Agree	44.26
Disagree	1.64
Neutral	19.67
Strongly agree	34.43
Total	100

Opinion on Sustainability growth in future

Opinion	Percentage
Always	11.48
Cannot tell	21.31
Not at all	22.95
Rarely	6.56
Sometimes	37.70
Total	**100**

Regional bias
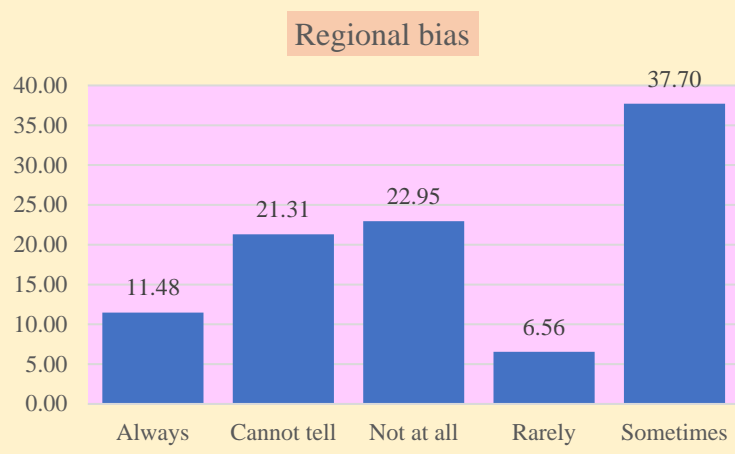
Opinion	Percentage
Always	40.98
Cannot tell	13.11
Not at all	14.75
Rarely	8.20
Sometimes	22.95
Total	**100.**
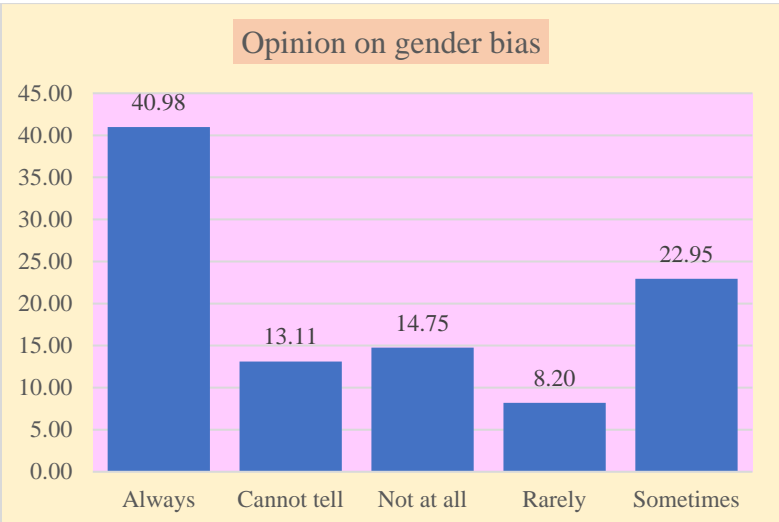
Opinion	Percentage
No	68.85
Yes	31.15
Total	**100**
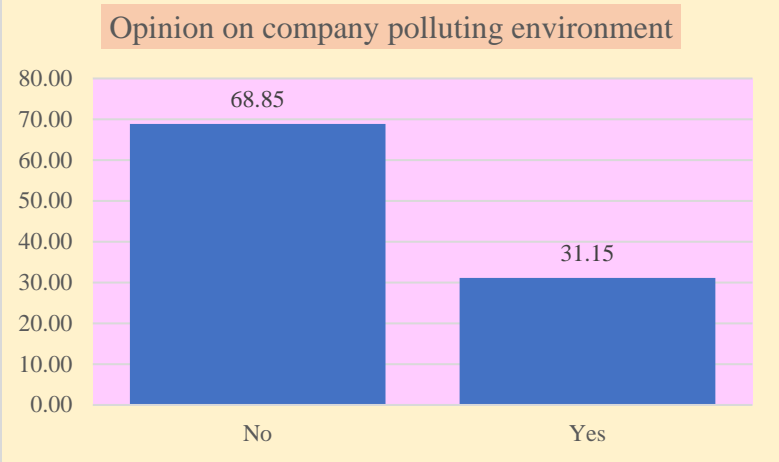
Opinion	Percentage
Consumer demand	22.95
Corporate leadership	1.64
Global sustainability goals	19.67
Government regulations	16.39
Technological advancements	39.34
Grand Total	**100**
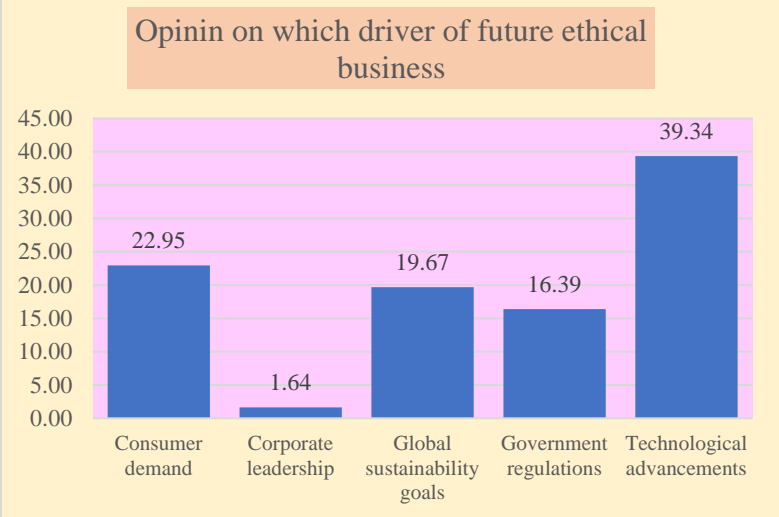
Hypotheses testing

To analyze the difference of perception in different aspects, chi-square analysis has been used by taking age group as one variable and 9 variables such as Challenge the companies are facing for implementing the sustainable and ethical practices, what are incentives which can motivate the companies to become more ethical and sustainable, driver of future business into ethical practices by providing 5 different options, whether ethical practices will lead the company into long-term business, impact of sustainability practices on Environment, whether the companies are showing bias with respect to gender & regional and finally whether the respondents are feeling that they are working in a company which is polluting the environment and the hypotheses results are tabulated under Table 4. In all the 9 instances, the Null hypothesis(H_0) is assumed to be no significant difference among all the different age group respondents and the alternative hypothesis (H_a) is assumed to have difference of opinion among different age group respondents.

Table 4: Hypothesis testing @ 95% confidence level
Data Source: Collected by the Authors

CHARACTERISTICS	$\chi^2_{Calculated}$	$\chi^2_{Critcal}$	Degrees of Freedom(df)	P-value	Decision on Hypothesis
Biggest challenge companies face for implementation of Ethical and Sustainable practices	27.37	34.17	20	0.125	Fail to reject the Null Hypothesis
Incentives encouraging the business for adopting the Ethical and Sustainable practices	18.32	34.17	20	0.581	Fail to reject the Null Hypothesis
Driver of future ethical business	26.28	34.17	20	0.156	Fail to reject the Null Hypothesis
Ethical business practices lead to long-term profitability	75.73	34.17	20	0.000*	Reject the Null Hypothesis
Ethical practices are important for sustainable business	40.12	34.17	20	0.004*	Reject the Null Hypothesis
Impact of Sustainable business practices on Environmental protection	22.33	27.48	15	0.099	Fail to reject the Null Hypothesis
Company is polluting the environment	1.76	12.83	5	0.881	Fail to reject the Null Hypothesis
Gender bias in the company	19.67	34.17	20	0.478	Fail to reject the Null Hypothesis
Regional bias in the company	13.06	34.17	20	0.875	Fail to reject the Null Hypothesis

Chi-square has shown only in two cases i.e. Ethical business practices will lead to long-term profitability and the importance level of Ethical practices for attaining sustainability, we have rejected the Null Hypothesis(H_0) at 95% confidence level (with values 0.000* and 0.004*-From Table 4), in all rest of the cases, there is no significant evidence to reject the Null Hypothesis(H_0), which means there is no significant difference among the age groups' perception and opinion.

Findings and discussion
- From the research it is found that About 73% of the respondents felt that the major challenge in sustainable development is cost and lack of expertise while 72% of the respondents felt that the customers will surely pay higher prices for sustainable products and services.
- Grants and subsidies play a major role in developing the sustainable practices among the firms followed by tax incentives, surprisingly the strict rules don't have much role to play in developing the sustainable businesses.
- About 78% of the respondents felt that the profitability will increase if the companies become sustainable.
- About 63% of the respondents felt that there is a gender bias in their company and also 48% of the respondents expressed regional bias in their companies.
- Around 69% of the respondents felt that their companies are not polluting the environment
- About 50% of the respondents have left their companies as the companies were not following sustainable practices.
- About 28% of respondents felt that sustainable practices can impact the environment very significantly and 42% of the respondents felt significant impact on environmental protection

- It is also found that there is no significant difference in different age group respondents in terms of challenges faced by the companies while implementing sustainable practices, incentives which can improve the sustainable practices, impact of sustainability practices on environmental aspects, future driver of ethical practices, bias with respect to gender and region, where as there is a significant difference on different age group respondents with respect to long-term profitability and the level of importance of ethical practices for profitability.

Conclusion

The research has been conducted to fulfill certain objective such as identifying the challenge in implementation of sustainable practices, for which the respondents have mentioned that cost and lack of expertise as major challenges, coming to the profit part, majority of the respondents have felt that, if the company becomes more sustainable, they can expect more profits as the customers are willing to pay more for the sustainable products. In terms of gender and regional bias, most of the respondents have felt that their companies are showing the both the biases and particularly gender bias is more. Majority of the respondents have felt that their companies are not polluting the environment and about half of the respondents have changed their companies due to sustainability issues in the companies which is a good sign. It is concluded that technological advancements can contribute more to the sustainable development which is followed by the customer demand, which means companies will definitely become sustainable if customers demand more sustainable products and services. Most of the respondents have felt that they are working in a sustainable environment and there is no significant

bias in the work places, but there is a significant difference of opinion in terms of long-term profitability and the level of importance on emphasis of ethical practices towards profitability.

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