



Finance Management

Elixir Fin. Mgmt. 58A (2013) 14677-14679

Elixir
ISSN: 2229-712X

Indian ethos for ethical accounting self governance - a conceptual analysis

Chandra Hariharan Iyer
Karpagam University, Coimbatore.

ARTICLE INFO

Article history:

Received: 13 October 2012;

Received in revised form:
17 March 2013;

Accepted: 2 April 2013;

Keywords

Ethical accounting,
Indian Ethos and Self governance

ABSTRACT

Ethical accounting concept of business ethics relates directly to transparency, accountability & Corporate Responsibility. The major ethical issues occur in accounting and finance are reporting false income, falsifying documents, allowing or taking questionable deductions, illegally evading income taxes, engaging in frauds etc. Indian Ethos is all about what can be termed as “national ethos”. Self-governance is an abstract concept that refers to several scales of organization. Some degree of consensus decision making is usually involved in any self-governance system, if only because individual members of the group may choose to violate the criteria for invoking outside authority, break the code of silence, or otherwise cause the group to lose its autonomy. The need of the hour is the requirement of ethical accounting regulations and in this research paper tried to relate the Indian ethos for self governance.

© 2013 Elixir All rights reserved.

Introduction

Ethical accounting concept of business ethics relates directly to transparency, accountability & Corporate Responsibility. The major ethical issues occur in accounting and finance are reporting false income, falsifying documents, allowing or taking questionable deductions, illegally evading income taxes, engaging in frauds etc. Indian Ethos is all about what can be termed as “national ethos”. Indian Ethos has as its basis, the culture base of India and as a country whose culture has its roots in religion - it does draw its lessons from the religions of the land - be it Hinduism, Buddhism, or any other (1). Indian ethos for management means the application of principles of management as revealed in our ancient wisdom brought forth in our sacred books like our Gita, Upanishads, Bible and Kuran. Indian thinkers mostly depend on internal controls, genetic cultivation and family culture to curtail greed. There is nothing wrong in materialism if it is secondary i.e. secondary to honesty, love, equality, justice, and compassion (2). Indian ethos is drawn from the Vedas, the Ramayana, Mahabharata, the Bhagavad Gita and Upanishads. Vedas and Vedic knowledge always consider human being as the manifestation and manipulation of the divinity. Indian Ethos is more vital to modern management than any other management theory for the simple reason that it takes into account a ‘whole’ man rather than approaching man in a partial fashion as the other theories do (3). If it comes first it can lead to exploitation, misery and loss of peace. There are 6 basic principles, which come to light in the holy books applicable in today’s management world. They are: 1. Each soul is a potential God 2. Holistic approach 3. Equal importance to Subjectivity/Objectivity 4. Karma yoga 5. Yogah Karmasu Kaushalam & 6. Co-operation (1).

Rational Of The Study

The Accounting ethics is primarily a field of applied ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics. Ethical accounting concept of business ethics relates directly to

transparency, accountability & Corporate Responsibility (4). There are many strong believers of ethics in accounting because ethics provide with the base on which a complicated society can exist. More people will benefit from transparent accountability. Without strong ethical behaviour this very old discipline will collapse. As part of a strong accountancy profession, its responsibility to of all accounting professionals, academicians, chartered accountants and the corporate sector as a whole, should work together, to generate economic growth and stability not just in our India, but worldwide. Due to several accounting scandals within the profession, several big business enterprises have come under scrutiny recently for questionable accounting practices not just in India but also throughout the world. This Research is based in part upon the suggestion that accounting regulation has an important function in society. It affects the allocation of economic resources, and so it has potentially wide-ranging effects upon social welfare and the balance of economic power between parties with often competing interests. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventual failure. Because of this, many organizations establish Compliance and Ethics Programs to minimize the risk that the firm steps outside of ethical and legal boundaries (5). The major ethical issues occur in accounting and finance are reporting false income, falsifying documents, allowing or taking questionable deductions, illegally evading income taxes, engaging in frauds etc (6). Self-governance is an abstract concept that refers to several scales of organization. Some degree of consensus decision making is usually involved in any self-governance system, if only because individual members of the group may choose to violate the criteria for invoking outside authority, break the code of silence, or otherwise cause the group to lose its autonomy. 1) Vedic messages declare that there are three pathways to opt first is the pathway of brahmajnaana prayaanam, 2nd dharma jnaana prayaanam & 3rd

karmajnaana prayaanam. Of which a manager has to opt for second and the third, i.e. doing the karma without a hidden agenda but with dharmic values. Vedas observe divinity in all natural resources like, soil, air, water, oushadhee, animals, plants, forest, earth, Sun, and so on. Hence over utilization and exploitation of anything are objected with strong words. Vedas consider their existence is for the mutual benefit and welfare. Hence Vedic messages are for the past, present and future generations. The need of the hour is the requirement of ethical accounting regulations and in this research paper tried to relate the Indian ethos for self governance.

Objectives Of The Research Work

To analyse the Indian ethos relevance and utility for ethical accounting self governance

Indian Ethos Literature

The following literature extracted from Indian ethos is discussed against the research objective in the discussion section:

1. Control points to mitigate fraud according to ethics of Narada
2. Identifying five forms of adharma according to ethics of Narada
3. Quotes from Vedic principles
4. Dharmic vision of manager as per Viduopadesha
5. Responsibility of bad deeds as per Nityaneeti
6. Reward for evil behaviour as per Thirukural
7. Credibility and actions as per Thirukural
8. Enlightened collective interest or Loksangraha as per Bhagavad Gita
9. Enlightened leadership as per Bhagavad Gita
10. Mutuality and interdependence or parasparam bhavayataha as per Bhagavad Gita
11. Ethical conduct & Sattwic-Rajas-Tamas gunas as per Bhagavad Gita

Discussion

1. Control points to mitigate fraud: According the ethics of Narada, Control points were established with penalty/reward processes to safeguard and mitigate any possible fraud or siege. One should overcome troubles caused by other beings, by cherishing compassion, towards the trouble-makers; and those caused by destiny or gods, by equipoise and concentration of the mind; the ailments of the body, by the force of yoga, pranayama and other yogic expedients; and sleep, by recourse to sattvic food (7). Healthy individuals with healthy mind in the organization lead to the smooth self governance.

2. Identifying five forms of adharma: As per Ethics of Narada, a man versed in righteousness should steer clear of the five forms (branches) of adharma (impiety), namely, vidharma, paradharma, abhasa, upama and chala regarding them all as adharma (impiety). Upadharma is heresy opposing the Veda. Upama is hypocrisy. Chala is distortion of the text, but showing apparent conformity to the letter of the scriptures, or quibbling (7). The self governance system to be steered well by the organizational ethical codes and the organization culture shall identify the five forms of adharma well to have proper control. Codes of ethics are another practical instrument by which to set standards of ethics and to promote ethical behaviour. There should be a feeling of social responsibility and obligations among the people. Actions should be taken to build character of the people, Development of personality through self-confidence, self respect should be initiated, Ethical behaviour should be promoted by teaching of ethics., Respect for old culture and heritage should be ensured., There should be spirituality at

workplace., Decision-making should be based on moral judgments and standards., Management system should be in tune with Indian ethos

3. To improve productivity Vedic principles has laid down many quotes and Ultimate aims of management should be (8)

- i. Lokaa: samasthaa: sukhino bhavanthu: let everyone become happy and prosperous; Sarvey bhavanthu sukhina: let all become happy; Sarve santhu niraamaya: let all become healthy; Sarve bhadrani pasyanthu: let all be seen in glory; Maa kaschith dukhabhaag bhaveth: let not anyone face sorrow.
 - ii. Bhadram karnebhi srunyaama deva: let us (the managers) listen to the glorious messages through our ears (for improvement). ; Bhadram pasyema akshabhir yajathraa: let us (managers) see the glorious positives through our eyes (for implementing in their work). ; Shthirairangai: thushtuvaamsa sthanubhir vyasema deva hitam yadaayu: Let us all (enjoy) do good and divine work with this body composed of healthy organs, as long as we live.
 - iii. Vaang me manasi prathishtithaa: words are founded in the mind; Manoo me vaachi prathishtithaa: the mind is established on the words. ; Aaviraaveermaa edhi: let them exist together (let what is told and what is thought not get contradicted). ; Srutham me maa atheethena ahoraatraan sandhadhaami: let us remember/recollect what all heard/learned throughout the days and nights ; Vaang me madhu matthamaa: let our words be as sweet as honey.
 - iv. Sangacchandwam samvadadwam samvo manaamsi jaanathaam: let us progress together, let us discuss together, let us keep the same mental attitude
 - v. Asatho maa sat gamaya: lead us from bad to good; Thamaso maa jyothir gamaya: lead us from darkness to light; Mruthyormaa amrutham gamaya: lead us from the pains to happiness (9). This explains the team spirit and ultimate goal the organization shall have for self governance. Indian ethos suggests having an ethical code that outlines an acceptable behaviour within the group.
- This suggests modern corporate India to have Organizational Codes for better transparency as to Access, Relevance, quality, and reliability for improved self governance.
4. Dharmic vision of manager: As per Viduopadesha, Manager should use his wisdom for dharmic mission and also for prosperity in a dharmic way (9). He should use the moral strength for protecting dharmic values; devotion towards work should be used for earning money and controlling luxurious expectations and the spiritual knowledge should be used for detachment.
5. Responsibility of bad deeds: As per Nityaneeti – 30, the doer, the promoter, the instigator and the approver, all the four shares the responsibility equally in good or bad deeds (10). Ethical Accounting norms shall provide the power to discipline the accounting professionals, other members, ranging from fines, penalties, punishments and or show disapproval everlastingly.
6. Reward for evil behaviour: Verse: 319 of Thirukural (12): If before the noon you do evil to others, before the evening evil will visit you. This is Thiru-valluvar's belief: If in noon you do evil to someone then by evening evil will happen to you. Thiru-valluvar does not rely on the existence of Heaven and Hell - to reward ethical behaviors or punish evil behaviour. His theory is that the reward and punishment are immediate & inherent in the behaviour.
7. Credibility and actions: Thirukural Verse: 652: Restrain yourself forever from action which yields no gain of glory and

of good (13). Self governance is very important and the organization should inculcate a feeling to stick to RIGHT first time and every time. Ethical accounting norms shall provide norms for Review of the economy, efficiency and effectiveness of organizations operating activities including non-financial activities. The Ethical culture is more important in organization. The organization culture shall insist on the importance of ethical values and doing harm to society.

8. Enlightened collective interest or Loksangraha (Bhagavad Gita 3-20 and 3-25): Loksangraha implies that actions should be performed keeping in view the welfare of the society as a whole. Thus, actions should be guided by enlightened collective interest and not by selfish interest or self-interest alone. In the context of corporate organizations, it implies that corporate behavior should be guided by larger social interest (14)

9. Enlightened leadership (Bhagavad Gita 3-21): Whatever great persons do is followed by others. Thus, standards of actions are set by the leaders can provide cushion to overcome situational ethics and accountants get space to be ethical (15).

10. Mutuality and interdependence or parasparam bhavayataha (Bhagavad Gita 3-11): Mutuality and interdependence are keys to social living. As against the conflict model, in this idea we find the mutuality model. This can be achieved through mutual cooperation rather than through the intensification of conflicts between various segments of a society. Thus, various segments of society should interact on the basis of mutuality and cooperation rather than through conflict. This idea also provides a basis for harmony in organizational contexts.

11. Ethical conduct & Sattwic-Rajas-Tamas gunas: As the Bhagavad Gita says: *sattvā sañjāyate jñānam rajasolobha eva ca pramāda-mohau tamaso bhavato 'jñānam eva ca* (14.17, The Bhagavad Gita) which means that it is from ethical & moral conduct comes wisdom (Sattwa); passion leads to greed (Rajas); ignorance and inactivity leads to illusion (16). Unethical practices like favoritism, financial misrepresentation, etc may lead to sudden degradation of "Sattwic" guna within the organizational culture. This may lead to emergence of "Tamasic" tendencies and can break the delicate balance between Sattwic-Rajas gunas. Too much ambition, passion, bitter competition within an organization as well as any industry may lead to greed and selfishness. The Rajas may exceedingly dominate the Sattwic gunas which will lead to making wrong organizational decisions at various levels. Again, we have a misbalance in the Sattwic-Rajas Gunas leading to organization's failure.

Conclusion & Way Forward

The researcher could find a treasure of Indian ethos relevant to the ethical accounting concept. More research as to exploring the ancient concepts in Sanskrit and linking the same with the current concept terminology is a real challenge, but with bit knowledge of Sanskrit is very well possible. An empirical research as to the application of Indian ethos to current management ethical issues is recommended for further research. Relating the concepts to the ethical accounting regulations views, expressed in this write-up are entirely of the author and

no claim is made regarding their validity in the context in which this has been written. The authors has taken the liberty in expressing the contents of the sources which they have referred to in their own style and in the process may have altered the original views and underlying themes to a certain extent.

Bibliography

1. Barman, Himadri. <http://himadri.cmsdu.org>. <http://himadri.cmsdu.org/documents/IndianEthos.pdf>. [Online] [Cited: Sep 18, 2011.]
2. www.egyankosh.ac.in/bitstream/123456789/35648/3/Unit-15.pdf. [Online] [Cited: Sep 18, 2011.]
3. Iyer, Chandra Hariharan. *Indain Perspective of Ethics. Busienss Ethics & CSR*. Mumbai : Vipul prakashan, 2011.
4. APPROACH FRAMEWORK FOR ETHICAL ACCOUNTING REGULATIONS IN MSMES- AN EXPLORATORY RESEARCH. Iyer chandra hariharan, Dr.G.Ravindran. Mumbai : AISSRA, 2012, Journal by All India Social Science Research Association (AISSRA), Mumbai, Volume II - No. (2), April - June, 2012, pp. Page No. 108-111. 2249-345X.
5. Iyer, Chandra Hariharan. *Financial Mamangement-Recent trends in practical applications*. Mumbai : International Book House Pvt Ltd, 2012. 9789381335048.
6. www.mbaknol.com. www.mbaknol.com/page/290/. [Online]
7. <http://www.trcb.com>. <http://www.trcb.com/religion/hinduism/right-conduct-764.htm>. [Online] [Cited: Sep 18, 2011.]
8. Indian Institute of Scientific Heritage. [Online] <http://www.indiadinivine.org/audarya/hinduism-forum/178590-indian-institute-scientific-heritage-www-iish-org-www-iishglobal-org.html>.
9. <http://www.sssbpt.info>. <http://www.sssbpt.info/ssspspeaks/volume06/sss06.pdf>. [Online]
10. <http://uttarayan.myfreeforum.org>. http://uttarayan.myfreeforum.org/archive/viduopadesha...__o_t__t_108.html. [Online] [Cited: sep 18, 2011.]
11. <http://iishdownloads.info>. http://iishdownloads.info/01_HERITAGEBOOKS/351indianmessagesonmanagement.pdf. [Online] [Cited: Sep 18, 2011.]
12. <http://kural.muthu.org/kural.php>. [Online]
13. <http://www.kural.in/Kural/index.asp?No=66>. [Online]
14. 'Ethical Foundations of New Corporate Model: Implications for Strategy and Leadership', in *Proceedings of 10th International Annual Convention on Strategic Management for Firms in Developing Countries*. Sharma, Subhash. 242-245, New Delhi : Atanu Ghosh and Gargi Banerjee, Allied Publishers Pvt Ltd, 2007.
15. <http://bhagavata.org/gita/chapter3.html>. [Online]
16. www.inflibnet.ac.in/ojs/index.php/PS/article/view/1053/911. [Online]
17. sanghasamudra.blogspot.com/p/hindu-culture.html. [Online] [Cited: sep 18, 2011.]
18. <http://www.icai.org>. http://www.icai.org/resource_file/9957204-216.pdf. [Online]