

ETHICAL ROLE OF FINANCIAL MANAGERS, IN A PUBLIC SECTOR UNDERTAKING

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ABSTRACT

The Financial managers play a very important role, in any organisation. The question arises, whether these managers have any ethical role and how they practice it. This paper has attempted to examine it. For this, an empirical study on ethical role of financial managers, was done with special reference to Steel Authority of India Limited, a public sector company. The secondary sources of data were used in this study, which included SAIL Code of Conduct Policy, Whistle Blower Policy, Vigil Mechanism in SAIL, etc. It was observed in this study that, Financial managers have clearly defined ethical codes of conduct in Steel Authority of India Limited, and the provision of penalty has been created for any breach of these codes.

KEYWORDS: Code of Conduct, Ethic, Financial Manager

INTRODUCTION

Ethics is the moral principles or standards, which guide an individual to differentiate between right and wrong things or behavior. A financial manager, plays a significant role in a company, but these role played by him may be ethical or unethical. As a public sector undertaking is owned by government and is accountable to general public, so financial manager is expected to be highly ethical, while performing his duties in such undertaking. Now, the question arises that, what are ethical boundaries, which determine the ethical role of financial manager in a public sector undertaking?

Reddy NagasivaDurga Prasad (2013), in his research stated ethics is a system of moral principles. They affect how people make decisions and lead their lives. Ethics is concerned with what is good for individuals and society, and is also described as moral philosophy^[1]. In an another research, Sinju and Sankar (2012) stated that, over a past few years, there has been a dramatic increase in the ethical expectations of businesses and managers, in different organizations all over the globe. The success or survival of the organizations, is linked to the ethical practices in the long run. The increasingly conscience focused market of the 21st century, demand for more ethical business processes and actions^[2]. Singh Chandra Lata (2014) stated that, individual issues in business ethics are ethical questions raised, about a particular individual or particular individuals within a company. These include questions, about the morality of the decisions, actions, or character of an individual^[3]. Dr AnuradhaTyagi (2014) observed that, stakeholders and consumers of a corporation are no longer indifferent, to unethical practices like financial irregularities, tax-evasion, etc. She also found that, goodwill resulting from adopting and successfully implementing a code of business ethics will, in the long run, translate into economic gains^[4]. In an another research, Waddock and Sandra (2012) observed that, managers need to recognize the ethical elements that are embedded in their day-to-day job functions. They also observed that, most large corporations have developed code of conduct internally that, guides managers to confront ethical situations and moral conflicts.

Further, such codes of conduct need to be supplemented by internal systems, such as reward and information system, promotion and hiring practices, recognition systems, and organizational culture and communication systems, that support their implementation^[5].

The purpose of this paper is to understand and to find out, the ethical role played by financial managers, in a public sector undertaking with special reference to Steel Authority of India Limited. Steel Authority of India Limited (SAIL) is the largest steel-making company in India (with 14 million tonne crude steel production and 16 million Hot Metal) and one of the seven Maharatna's of the country's Central Public Sector Enterprises.

The contribution of the paper is that, it will help the professionals, scholars, students and general readers to understand the ethical role and boundaries of financial managers, in simple and easy language.

MATERIALS AND METHODS

This paper is based on the qualitative analysis of secondary source of information, such as SAIL Code of Conduct Policy, Whistle Blower Policy, Vigil Mechanism in SAIL, 2015, and other published materials on the subject matter.

Code of Conduct for Financial Managers in SAIL

Steel Authority of India Limited (SAIL), has framed code of conduct for board members and senior management personnel, which is known as "The Code of Conduct for Board Members and Senior Management Personnel of Steel Authority of India Limited, 2015". This Code has been framed specifically in compliance with the provisions of Clause 49 of the Listing Agreement, with Stock Exchange(s) (Listing Agreement). The purpose of this Code, is to enhance further an ethical and transparent process, in managing the affairs of the Company. Accordingly, financial managers must observe the following Code of Conduct:

- Shall act in accordance with the highest standards of honesty, integrity, fairness and ethical conduct, while working for the company, as well as representing the company, without allowing their independent judgment to be subordinate.
- Shall not involve them in making any decisions, on a subject matter in which a conflict of interest arises or could arise, between their personal interest and the interest of the company.
- Shall avoid conducting business with a relative or with private company, in which the relative is a member or a public limited company, in which a relative holds 2% or more shares, or voting right or with a firm, in which a relative is a partner.
- Shall avoid having any personal and/or financial interest, in works or contracts or any business dealing, concerning the company.
- Shall not seek or accept, or offer directly or indirectly any gifts, donations, remuneration, hospitality, illegal payments, favour in whatsoever form howsoever described by the customers, vendors, consultants, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, opportunity for committing any fraud.

- Shall comply with all applicable laws, rules and regulations and any violation thereon, may make them personally liable.
- Shall not derive benefit or assist others, to derive benefit, by giving investment advice from the access to and possession of information, about the company, not in public domain and therefore, constitute insider information prevention of Insider Trading in the Securities of SAIL.
- Shall protect the Company's assets, labour and information including intellectual assets and may not use these, for personal use, unless authorized to do so.
- Shall work unstintingly for eradication of corruption of all spheres of life, remain vigilant and work towards growth and reputation of the Company, bring prior to the organization and provide value based services to company's stake holders and do duty conspicuously and, without fear or favour.
- Shall strive to achieve highest quality, effectiveness and dignity in both processes and products of professional work, and shall acquire and maintain professional competence continuously.
- Shall always keep in mind that, they are accountable to Company's stake holders viz. customers, vendors, shareholders, employees and the society at large to which, the Company is responsible for its actions.
- In case of breach of this code, penalty may include serious disciplinary action, removal from office and dismissal as well as other remedies to the extent permitted by law and as considered appropriate, under the circumstances ^[6].

Vigil Mechanism in SAIL

Various Statutory and Regulatory Provisions, regarding establishment of the Vigil Mechanism, by Government Companies are contained in the Companies Act, 2013, the Listing Agreement and the Guidelines issued by the Department of Public Enterprises. SAIL has established a Vigil Mechanism, for all directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism also provides, for adequate safeguards against victimization of director(s)/ employee(s), who avail of the mechanism and also provides for direct access, to the Chairman of the Audit committee in exceptional cases. Under this Mechanism, the unethical behavior has been illustrated as follows: (i) Abuse of authority; (ii) Action aimed at taking advantage by impersonating another person without his knowledge or consent; (iii) Financial irregularities; (iv) Disclosure of confidential / proprietary information to unauthorized persons; (v) Wastage / misappropriation of Company's funds/assets; (vi) Non-conformance to reasonable standard of social or professional behavior; (vii) Any other biased, favoured or imprudent action^[7].

Whistle Blower Mechanism followed in SAIL

The Government of India has authorized the Central Vigilance Commission (CVC), as the designated agency to receive written complaint, for disclosure on any allegation of corruption or misuse of office and recommend appropriate action, under the Govt. resolution "Public Interest Disclosure and Protection of Informer (PIDPI), which is known as "Whistle Blower Resolution". The objective of the Whistle Blower Mechanism is to provide necessary safeguard for protection of employees from reprisal or victimization. It has been decided in SAIL, to follow the Whistle Blower Policy of Central Vigilance Commission (CVC), as per which the complaints under the Whistle Blower Resolution are received by

CVC / Designated Authority and are forwarded to the organization for investigation, after duly concealing identity of the complainant^[8].

CONCLUSIONS

Financial Managers have an important ethical role, to play in their profession. In a Public Sector Undertakings like Steel Authority of India Limited (SAIL), financial managers have to observe Code of Conduct in their professional life. Besides practicing the Code of Conduct, SAIL has established Vigil Mechanism, and also follows the Whistle Blower Mechanism. These Mechanism have helped to keep the check on professional practice of financial managers, in SAIL. Thus, it is observed that, financial managers have to practice a high degree of professional ethics in Steel Authority of India Limited, by working under the code for governance of the company. Many times, they have to face ethical challenges, such as protecting the confidentiality of the employer and staying, within the boundaries of law.

This paper has a narrow scope in the study, as it is observed only in a public sector undertaking, i.e, Steel Authority of India Limited to study the ethical role of financial managers. Moreover, this paper is supposed to improve the understanding, on the ethical role of financial managers.

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