

BUSINESS ENVIRONMENT IN WEST BENGAL: AN ETHICAL ISSUE

Sreekumar Ray*

Abstract *'Ethics in Business' are keywords in any business environment which are lacking in most of the cases. In a broad sense ethics means not to cheat others and to do the business in an honest way, to abide by the rules and regulations of the soil, and above all to keep the morale high so that the business can grow to a new height in long run. Unfair means and unethical business practices to earn money quickly are often fraught with the danger of losing the business permanently or losing the goodwill and respect of society. West Bengal has got bad reputation for industrial growth and fake chit funds and it has been named as 'ponzy capital' of India by many as 72 out of 86 fake chit funds are in the state of West Bengal (as per the Report of Ministry of Corporate Affairs, Govt. of India). On the other hand the micro finance company 'Bandhan' which has got Banking license last year (set up in 2001 in West Bengal) and 'Eins Edutech' the company which was originally incorporated on March 9, 1983, as GanpatUdyog in West Bengal are worth mentioning and at ease one can feel proud of them. As on 17th April, 2015 the latter company has got market capital of Rs.700 crore with its fixed assets, as per its balance sheet, as only two cell phones and one printer. As per monthly status of Bandhan in February 2015 it has 2,022 branches, 63,66,269 borrowers, 15,956 staff, loan disbursed for the month Rs.1,572crores, and loan outstanding Rs.8,908 crores. Under such situation, this study focuses on the ethical business environment prevailing in West Bengal and the strategies adopted by them.*

Keywords *Ethics, Morale, Unfair Means, Ponzy, Micro Finance, Banking License*

"Good governance means good response, Good Governance is good dedication and Good Governance is good determination between the two sides. Good Governance is to have good industrial captains."

– Smt. Mamata Banerjee, Chief Minister,
State of West Bengal

INTRODUCTION

In the United States both federal and state governments have established rules and regulations for how a business should be run. Businesses failing to follow those guidelines are liable to face hefty amount of fines and other penalties. Bigger companies at times decide that breaking laws and paying fines involve lower costs than the financial gain made from breaking those laws. However, if one is consistently breaking laws, he can lead to costly legal battles that may outweigh their initial gain. Moreover, the executives of the companies who break laws and involve in unethical business practices could find themselves facing criminal charges.

Recently, chit fund scam in West Bengal has made the state infamous. The chit funds are actually 'Ponzi Schemes' run by the conspicuous operators illegally and unethically although they are registered under the Companies Act. There are many similar kinds of small and unregistered shady money laundering firms in the state. Many call the

state as 'Ponzi Capital' of the country. On the contrary, there are few companies incorporated in West Bengal, which have succeeded like anything and are operating all over the country with reputations. It is a fact that unethical businesses can't run and survive in long run whereas the businesses operated legally, fairly and ethically can survive in long run and go up to any boundary.

OBJECTIVES OF THE STUDY

1. To know about the business environment prevailing in the state of West Bengal.
2. To know about the consequences of some selected companies in West Bengal running businesses illegally and unethically dampening the business environment of the state.
3. To know about businesses, on the other hand, running their businesses legally, ethically and honestly snowballing the glory of West Bengal.

BUSINESS ENVIRONMENT IN WEST BENGAL

West Bengal has a tremendous potential for business but it must create the right business environment to attract investments. According to the West Bengal Economic

* Vice-Principal, Department of Commerce, Chairperson, P.G. Department of Commerce, The Bhawanipur Education Society College, Kolkata, West Bengal, India. Email: ray.sreekumar@gmail.com

Review 2012-13 the state saw 97% decline in industries since 2010 (Business Standard, 28th December, 2013). The state government should be more proactive relating to the land acquisition for the growth and development of industries. The government should be strict at the same time regarding the illegal money pooling financial companies. Recently, 'The West Bengal Protection of Interest of Depositors in Financial Establishments Bill' has got approval from the central government (ET Bureau, 16th June, 2015). This anti-chit fund bill was passed by the state assembly in 2013. In this bill there are provisions for stringent punishment in cases of financial crimes, claimed by the Finance Minister of West Bengal (op. cit, 16th June, 2015).

UNETHICAL AND ETHICAL BUSINESS PRACTICES IN THE STATE OF WEST BENGAL

Unethical Business Practices in the State

In West Bengal quite a few money pooling companies registered under the Companies Act, 1956 were operating for long years illegally and unethically which have been exposed recently. This has traumatised the whole economy of West Bengal. In 2013, Ministry of Corporate Affairs, Government of India, released the list of fake chit fund companies operating in India. As per the government's notification, all those companies were deceiving people in the name of investment. Out of them 5 are from Tamil Nadu, 5 from Delhi, 2 from Rajasthan, 1 from each Karnataka and Uttar Pradesh whereas 72 from West Bengal. Those companies, especially Sanchayita Investment Ltd (in early eighties), Verona Credit and Commercial Investment Company (in early nineties), Overland Investment Company (early nineties), and recently Saradha group of companies, Rosevally, Icore, Trinetra etc. have pooled money from common people and cheated them. Their network was spread not only in West Bengal but also in some other states like Assam, Orissa, Bihar, Jharkhand, Chhattisgarh etc. On 6th March, 1997 The Reserve Bank of India submitted report to the Calcutta High Court recommending the closing down of three chit funds Sanchayita, Verona and Overland Investment Companies (Subroto Chatteraj, Business Standard, 7th March, 1997). The recently grown fake money pooling companies are now under the scanner of CBI and most of them have stopped their operations by the verdict of the Court. They have cheated crores of rupees from the common people doing their business illegally, unethically, having no proper business model. It is true that they have not been able to run their business in long run. The owners of so called chit funds have spent their livelihood like kings at the public money (EiSamoy, 22nd June 2015). It

is learnt from the central investigation agency, Enforcement Department (ED) that the political parties have got the share of that money through different routes in their party fund (EiSamoy, 21st June, 2015). From the account of 'Trinetra' it is observed that one most influential political party in West Bengal has got Rs.5 crores via illegal routes of 25 companies before parliamentary election of our country (The Statesman, 24th June, 2015). On the other hand due to the Land Acquisition Bill of the state the new business houses are not either being attracted in the state or those who had been attracted previously, like Infosys, later changed their decision that not to invest in West Bengal. The fact that Tata Motors Ltd had taken a back few years before is now history. The business environment in West Bengal is not coherent as from political leaders to trade unions, every one does not allow the business houses to do their business ethically; rather they insist the business owners to resort to unfair businesses as those corrupt people always disturb the owners by asking money illegally for subscription in political fund or for themselves and all these they can do keeping nexus with the local administration. Corruption in every sphere is prominent in the state. It is shameful that a minister of the state government is still in jail custody in money pooling and money laundering case by CBI. From small business owners to big one it is very difficult to run their businesses ethically in West Bengal.

Ethical Businesses in the State

In West Bengal few business houses are worth mentioning who are running their business legally and ethically. Out of them the microfinance company *Bandhan* and the education company *EinsEdutech Ltd* both have set a high standard in the businesses in the state.

Bandhan Micro Finance Company

Kolkata based micro finance company Bandhan Financial Services Ltd was set up in 2001 for providing the financial assistance to the unbanked ordinary people of the state. On 17th June, 2015 this company got the final approval from the Reserve Bank of India to launch banking services all over the country which bagged in-principle nod in April 2014, to set up a universal bank. As per the monthly status of the company in February 2015 it has 2022 branches, 63,66,269 borrowers, 15,956 staff, loan disbursed for the month Rs. 1,572 crores and loan outstanding Rs. 8,908 crores. Now the plan of the Director of the company Mr. Chandra Shekhar Ghosh, a very simple, honest and ethical visionary of Bengal, is to open 500 to 600 branches across India with focus on east and north-east (The Statesman, 18th June, 2015). According to him the bank will specially cater to the needs of micro small and medium enterprise units

and their primary objective will be to serve the unbanked. They have adequate capital, solid risk management system in place and want to serve everyone with utmost honesty and highest ethics. Bandhan, the micro finance company has proved that any business house can do a big thing by its honesty and ethical behaviour towards their stakeholders. At present Bandhan's net worth has gone up to Rs. 2700 crores, well above the RBI's stipulation of a minimum capital base of Rs.500 crores (The Statesman, 18th June, 2015).

Eins Edutech Ltd.

Eins Edutech was originally incorporated on 9th march, 1983, as Ganpat Udyog in West Bengal. It was acquired by Thyrocare Laboratories in October 2001. The name was subsequently changed to Eins Edutech Ltd in March 2012. The company commands the highest market capital among listed education companies in India. As on 17th April, 2015 this company has got market capital of Rs 710 crores. Eins Edutech engages in teaching and training to treat thyroid disorders. It has no major fixed assets. As per the balance sheet of the company in Financial Year 31st March, 2014, in terms of assets, the company owns no land and building, plant and machinery and furniture. All it has are two mobile phones and a printer. The business model is so nice and clean that with only these assets the company is operating its business for so long years and at present it is at the top of business news in every business channels and in leading newspapers. Since the company is a listed one and big in size it has its own ethical code of conduct which they maintain strictly.

EFFECTS OF A LACK OF ETHICS ON A BUSINESS ENVIRONMENT

In the light of Ponzi schemes and other company scandals, the business environment of West Bengal has developed a reputation for its lack of ethics. A lack of ethics leads to a wealth of problems for a business. Lack of ethics may lead to legal battle and consequential losses. For example, the multinational FMCG company Nestle has withdrawn Maggi noodles from India after some samples were reportedly found to contain higher-than-permissible levels of lead. The company is now suffering from legal battles as well as a huge financial loss of Rs.320 crore because of Maggi ban (Indo-Asian News Service, 15th June, 2015). Although the Government of West Bengal is keenly interested to bring investments from within and outside the country through Global Business Summits, after Singur and Tata Motors episode or Infosys, Haldia Petro Chemichals, and the money pooling by the Ponzi operators, where the common factors are the involvement of political parties and ethical issues, no

big investments are upcoming in the state. For any business house, whether small or big, to set up, it needs ethical business environment so that they can focus in their business ethically and honestly. The business of business is to do business. If they are not to please anyone by giving bribes, subscriptions to party funds or local 'dadagiri tax', they can also run their businesses with lesser profits. Otherwise, it is not the fault of businessmen who are adopting illegal and unethical ways to earn more profit since they have to apart a hefty amount of their profit for local 'Dadas' or political parties.

CONCLUSION

A lack of ethics leads to the harmful practices in businesses. It has a negative consequence on employee performance and customers of a business. The employees who perform their duties ethically feel lack of motivation and often lead to shrinkage in performance. In West Bengal there are huge potentiality of economic growth and prosperity. It has enormous educated unemployed young people and all factors of economic development. But the only thing lacking is proper business environment particularly when we talk about ethics. In West Bengal to fill up the vacuum of industrial growth, the so called 'Syndicate Raj' has grown in connection with the promoting industry which deteriorates the business environment of the state further.

REFERENCES

- CNBC TV18
- DeGeorge, R. T. (2015). *Business ethics* (7th ed.). Pearson Education Limited.
- ET Bureau. (2015).
- Fernando, A. C. (2014). *Business ethics: An Indian perspective* (2nd ed.). Pearson Education Limited.
- Mandal, S. K. (2015). *Ethics in business and corporate governance* (2nd ed.). McGraw Hill Education (India) Private Limited.
- Mohapatra, S., & Sreejesh, S. (2013). *Case studies in business ethics and Corporate Governance* (Isted.). Pearson Education Limited.
- Ray, S. (2015). Financial Illiteracy and the Rise and Growth of Ponzi Schemes in West Bengal with Particular Reference to the Case of Saradha, Contemporary Issues in Global Economy, Commerce and Management, Edited Volume, The Bhawanipur Education Society College, January 2015.
- Ray, S. (2014). Corporate scams and its impact on Indian economy: A case study on 'Saradha Chit Fund'. *Global Journal for Research Analysis, A Peer Reviewed & Referred International Journal*, Paris.

Ray, S. (2014). Buyback of Shares and its Impact on Financial Performance: A case Study of Hindustan Unilever Limited, *Global Journal for Research Analysis*, A Peer Reviewed & Referred International Journal, Paris.
Staff Reporter. (2015). *The Statesman*, Kolkata Edition.

Staff Reporter. (2015). EiSamoy, Bengali Daily News Paper.
Staff Reporter. (2015). Economic Times.
Staff Reporter. (2015). Business Standard.