

K J SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH

Program: PGDM (Batch 2016-18), Trimester-VI End Term Exam

Subject: Business Ethics

Maximum Marks: 25

Duration: 1 ½ Hours

Date: 04. 04. 2018

Instructions: Attempting both sections of the paper is compulsory.

Attempt sections in separate answer sheets.

Section A (Business Ethics)

Instructions:

- Section A is for 25 Marks
- Question No. 1 is compulsory
- Attempt any three from Question No. 2 – Question No. 6

1. Case Study

(15)

All India Democratic Women's Association (AIDWA) is doing a good job by bringing to surface the cases of gender exploitation and discrimination in India. Among the several resolutions passed by the Association (AIDWA) in Kanpur, one of the most important ones was on the need to regulate several states of the country. The resolution drew attention to "the spate of suicides as a result of the harassment and strong-arm tactics employed by commercial and profit oriented corporate MFIs (Micro Finance Institutions) for loan recovery." This new breed of moneylenders is luring women to form Self Help Groups, and then charging them exorbitant rates of interest – as high as 48-60 percent. Whatever little collectivism has been generated by the SHGs has been systematically destroyed in the process.

It highlights the situation in Andhra Pradesh, where "32 MFIs are reported to have given loans worth Rs 25,000 crore to 40 per cent of the poor women in the State. Unable to meet their forcible demands for loan recovery more than a hundred people have committed suicide in the last three months." The ordinance promulgated by the Government of Andhra Pradesh is an eye-wash as it does not put a cap on the interest rates that MFIs can charge. The resolution calls for an immediate Central law to cap interest rates charged by MFIs, and to regulate their operations; to file criminal cases against MFIs engaged in extortionist practices; to cap interest rates from banks to SHGs at four per cent and cap loans given by MFIs to not more than two per cent to above the banks interest rates to MFIs; and to expand cheap credit facilities through direct banking to SHGs.

The MFIs are run by corporate money-lenders and they are not less exploitative than village money-lenders. This was the observation of the Vice President of the Orissa Unit of AIDWA, described the credit situation in her State. The AIDWA unit in Orissa surveyed 600 SHGs in 12 districts of the State, including those that have taken government loans; those that have taken loans from government and MFIs; and those that borrowed only from MFIs. The last category accounts for 70 per cent of the SHGs surveyed.

An empirical survey revealed that MFIs had penetrated deep into villages and towns. While on paper, the rate of interest is a flat 10 per cent, the interest charged is on the entire principal through the repayment period, with cuts made from the principal amount under several heads – such as processing fee, bank charges, agreement charges, membership charges and so on. “The compounded interest is never less than 52 per cent, and we found that on the last 10-rupee instalment, the interest is 525 per cent!” Measures of recovery are harsh. Agents operate through the head of the SHG the debtor belongs to, and take away her every possession. “Bilashini Behra from Bhubaneswar took loans from three MFIs, each successive one to pay the previous. She committed suicide because she could ultimately not repay,” said Ms. Praharaj.

“The Central government, with the view that this can attract Foreign Direct Investment, has moved a Bill on MFIs,” said Rajya Sabha MP Brinda Karat. “There is no cap on interest, so that women’s savings can be taken control of, destroying the autonomy of SHGs.” The Andhra Pradesh Chief Minister told the AIDWA delegation that he had instructions from the Centre that there should be no cap on interest rates. No one knows the motive of the central government on this issue. The matter needs further investigation.

Questions:

- a. What are the major problems in microfinance institutions in India? **(05)**
 - b. Are the actions of microfinance institutions morally justified? Give reasons. **(05)**
 - c. What remedial measures, you think, are necessary to eliminate the problems? **(05)**
2. Explain and differentiate between the Teleological and the Deontological theories of ethics. **(05)**
 3. Briefly analyse W. D. Ross’ seven prima facie moral rules. **(05)**
 4. Write a short note on Whistle-blowing, explaining its importance and limitations. **(05)**
 5. Is Corporate Social Responsibility a legal issue or an ethical issue? Explain your view. **(05)**
 6. Doing business globally provides innumerable opportunities for growth as well as poses many intricate challenges. Enumerate the major ethical issues in international business practices. **(05)**
