

**MANAGEMENT PROGRAMME**

**Term-End Examination**

**February, 2021**

**MS-495 : ETHICS AND CORPORATE  
GOVERNANCE IN BANKS**

*Time : 3 hours*

*Maximum Marks : 100*

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**Note :**

- (i) There are **two** sections — A and B.
  - (ii) Attempt any **three** questions from Section A. All questions carry equal marks.
  - (iii) Section B is **compulsory** and carries 40 marks.
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**SECTION A**

1. Discuss various ethical dilemmas faced by banks in India, giving examples. Analyse how to resolve and cope with such ethical dilemmas.
2. Briefly discuss the recommendations of Corporate Governance Committees in India which stressed the importance of Audit Committees.
3. Describe the nature of CSR guidelines applicable to banks in India. What are the steps to be taken by banks to comply with CSR guidelines ?

4. Discuss Corporate Social Responsibility in the financial sector with reference to Equator Principles and Financial Inclusion.
  
5. Write short notes on any *four* of the following :
  - (a) Ethics and Law
  - (b) Forms of Business Organisations
  - (c) Social Audit
  - (d) Corporate Citizenship
  - (e) Values and Culture

## SECTION B

6. Read the following case carefully and answer the questions given at the end :

### **Clear codes for grey zones ?**

It's another Monday morning and after a weekend of celebrating the birthday of one of your friends, you sit in your office and sort out your diary for the week. As the IT manager of a small credit card company you have to prepare for your staff meeting at 10 am when all of your 15 team members will be present. You are planning to discuss the launch of your new promotion scheme, which is due to begin at the end of the week. Fortunately, Paul, who is the main market analyst for the company, was ready to do some extra work at home over the weekend in order to make sure the forecasts were ready for the meeting.

While sipping your first cup of coffee, someone knocks at the door. It is Fred, the hardware manager. He looks a bit embarrassed, and after a little stilted small talk, he tells you

that ‘a problem’ has come up. He has just checked in the laptop that Paul, the market analyst, had taken out of the company’s pool and used at home over the weekend in order to finish the forecasts you had asked for. However, when completing the routine check of the laptop, Fred tells you he noticed links to various pornography sites in the history file of the laptop’s internet browser. He tells you that they must have been accessed over the weekend that Paul had the laptop — the access dates refer to the last two days, and as is usual practice, the history file was emptied after the last person had borrowed it.

There is a strict company policy prohibiting employees from making personal use of company hardware, and access to sites containing ‘material of an explicit nature’ is tantamount to gross misconduct and may result in the immediate termination of the employee’s contract. When your hardware manager leaves the office, you take a big breath and slowly finish your coffee.

After a few minutes thinking through the problem, you ask Paul to come into your office. You have a quick chat about his work and tell him that you are really pleased with the forecasts he put together over the weekend. Then, you bring up the problem with the laptop's history file. When you tell him what has surfaced in the history file, Paul is terribly embarrassed and assures you that he has absolutely no idea how this could have happened. After some thought though, he tells you that he did allow 'a friend' to use the laptop a couple of times over the weekend to check his email. Although Paul says that this is the only possible explanation for the mystery files, he does not volunteer any more information on the friend involved. As it goes, this does not actually make you feel much better about the situation : the company's code of conduct also prohibits use of IT equipment by anyone other than employees.

While driving home that evening, you turn the issue over and over in your head. Yes, there is the corporate code of conduct with regard to web access and personal use of company

resources. And in principle you agree on this — after all you were part of the committee that issued the code in the first place. A company like yours has to be able to have clarity on such issues, and there has to be control on what the company's equipment is used for — no doubt about that. You can't help thinking that Paul has been pretty stupid in breaking the rules — whether he visited the sites himself or not.

On the other hand, you are also having a few problems with taking this further. Given the amount of embarrassment this has caused Paul already, isn't it likely to be just a one-off ? Doesn't the company need Paul's experience and expertise, especially now with the big launch a few days off ? Why make problems over the matter of a few websites ? Couldn't you just forget about it for once ? As soon as you start thinking this though, you remember that Fred already knows about the problem — and given his good connections throughout the firm you can imagine that the gossip has started circulating already. This looked set to be a tough call.

***Questions :***

- (a) What are your main ethical problems in this case ?
  - (b) Set out the possible courses of action open to you and their usefulness.
  - (c) Assess these alternatives according to the different moral considerations like duties, consequences, rights, justice, etc.
  - (d) Based on your answer, what are the apparent benefits and limitations of the code of conduct in this example ?
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