

Ethical Decision Making in Corporate Governance: Challenges and Barriers

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Abstract— *Ethics touch our social and work life in more than one way. We feel happy, satisfied, motivated and fulfilled when we are treated ethically, but unhappy, frustrated and broken down when treated otherwise. The necessity to take ethical decisions in life and corporate sector is highly important for economy. But there are many challenges and barriers that employees have to face at workplace.*

This research paper aims to bridge the gap between policy and practice by identifying challenges and barriers that foster ethical decision making.

The findings reveal significant challenges, including whistleblowing, fear of counter attack, hierarchical corporate culture, and a lack of trust in reporting mechanisms. Additionally, structural challenges such as weak regulatory enforcement, ineffective board oversight, and inadequate whistle blower protection policies further discourage ethical disclosures, leading to governance failures. It proposes the need for stronger legal protections, ethical leadership, and a cultural shift towards accountability and transparency to foster an environment where ethical decision-making encouraged. Through a mixed methods approach, including survey analysis and case studies, this research examines how these barriers and challenges affect corporate integrity and accountability. And what are the other reforms and initiatives to enhance the framework of corporate governance.

Keywords – *Ethical-decision, Accountability, Transparency, cultural barriers, corporate governance, business ethics.*

I. INTRODUCTION

CG refers to the combination of laws, rules, regulations, frameworks and ethical standards that support the goal of increasing long-term returns for shareholders. The interplay between governance structures and Ethical Practices are essential for fostering Accountability, Transparency, Fairness, full disclosure of financial and non-financial information and fair and open communication with concerned stakeholders and Sustainable growth. In India, CG has improved over the years due to new regulations and growing expectations. However, ethical decision-making and whistleblowing remains persistent challenges. Many companies still struggle to create a work culture where employees feel safe reporting wrongdoing. Laws like the Companies Act, 2013, and SEBI regulations, aim to ensure ethical business practices. This raises concerns about the effectiveness of existing governance mechanisms in fostering a culture of integrity.

A key challenge in Indian corporate governance, as revealed by this study, that hinders whistleblowing and ethical decision-making, is the interplay between cultural and structural barriers. Many employees hesitate to report against unethical practices due to fear of losing their jobs, damage to their reputation, lack of trust in the system. Many employees don't take unethical things seriously. On top of this, weak

internal controls, poor board supervision, and ineffective policies make things worse. The study says that many companies don't provide channels for reporting unethical practices. And when people are afraid to raise concerns, unethical practices continue, hurting the company's reputation and trust among stakeholders.

By analysing survey data, case studies and regulatory frameworks, the research seeks to identify gaps in corporate governance and propose reforms that can strengthen ethical conduct. The findings will provide insights into how organizations can build a more robust ethical culture and improve the effectiveness of whistle blower mechanisms and to cope up with challenges and barriers thereby enhancing overall corporate governance in India.

II. REVIEW OF LITERATURE

1. The study titles, "Corporate Governance-Indian Perspective by Ruchi Kulkani and Balasundram Maniam", how companies are run, ensuring they operate fairly, transparently, and ethically. It touches many fields, like finance, law, management, and ethics. In emerging markets, strong governance is even more critical to building trust and stability. In India, major steps toward corporate governance started in 1992 with SEBI (Securities and Exchange Board of India) introducing reforms. Ethics guide companies in setting values,

defining responsibilities, and ensuring accountability. Strong governance should create a culture of trust, balancing different interests while keeping integrity at the core.

2. The research, "Corporate governance and business ethics: An assessment of challenges and developments", by JABULANI DHLAMINI drawing insights from fields like finance, law, and ethics. It focuses on key aspects such as strategy, risk management, financial reporting, and business ethics—all of which play a big role in a company's success. Business ethics, in particular, is about doing the right thing in business, influenced by leadership, company culture, and moral values. Beyond governance, important topics like corporate social responsibility (CSR), sustainability, gender diversity, and whistleblowing also shape how businesses operate. At its core, business ethics is about making the right choices in the workplace and handling moral dilemmas with integrity.
3. This research, "The Challenges in Implementation of Ethics in Organization", by Syuhaidah Abdul Rahman, Norhayati Hussin, Jannatul Iza Ahmad Kamal, Norsaniah Md Noh, Siti Nurul Maryam Abdullah, Zahari Mohd Amin, explores how Making ethical decisions in corporate governance isn't as simple as it sounds. Many organizations struggle because people aren't always trained to think ethically, and leaders don't always set the right example. Sometimes, the pressure to hit targets or maximize profits overshadows what's right. On top of that, without clear rules or systems in place, it's hard to hold anyone accountable. For ethics to really work in corporate governance, it takes committed leadership, ongoing education, a culture that supports doing the right thing, and strong ethical guidelines that everyone follows.
4. This research, "The role of risk governance in ethical decision making: A comparative study of corporate failures and successes, by Shivali Kukreja", making ethical decisions in the corporate world is easier said than done. While companies often claim to follow ethical practices. Many organizations struggle with weak board oversight, where decisions are influenced more by powerful executives than by collective accountability. If the culture prioritizes profits over doing the right thing, ethical concerns often get pushed aside. Employees may hesitate to speak up, especially when there are no clear protections for whistle blowers. Even when companies have ethical codes, they're often not backed by real action or leadership commitment. building ethical governance isn't just about following rules—it's about creating a culture where doing the right thing is part of everyday business.

III. RESEARCH OBJECTIVE

- Identify cultural barriers: It focuses on how cultural

factors such as loyalty, collectivism, power distance, and lack of trust impact whistleblowing and ethical decision-making in Indian corporate governance.

- Analyse structural barriers: It investigate organizational structures, policies, and legal frameworks that discourage whistleblowing and ethical decision-making in Indian corporations.
- Examine the psychological and social restraint: It explores how fear of strike back, job security concerns, and social stigma influence employees' willingness to report unethical practices.

IV. RESEARCH METHODOLOGY

This study uses a mixed-method research approach, combining both primary and secondary data to evaluate the cultural and structural barriers to whistleblowing and ethical decision-making in Indian corporate governance. This research aims to analyse respondent's perceptions of corporate governance, ethical practices, and whistleblowing mechanisms in their organizations. Primary data for this study was collected through a structured survey questionnaire, distributed to professionals across various industries in India. The survey contained both closed-ended and Likert scale questions to measure perceptions of ethical governance, organizational policies, and whistleblowing culture. The analysed variables encompassed demographic data (age, gender, education level, professional experience, industry, and organizational role) and specific governance-related factors. Secondary data was sourced from research papers, industry reports, and case studies to create a comparative framework. The final dataset consists of 119 responses, with participants from diverse industries, including manufacturing, IT, finance, government and retail sectors. The sample includes respondents at various hierarchical levels, ranging from board members and senior managers to junior staff. A convenience sampling technique was used, targeting professionals working in different corporate sectors.

Data analysis involved descriptive statistics to identify trends, ANOVA, exploratory factor analysis (EFA) to pinpoint key factors influencing corporate governance, ethical decision making and perception level of an employee and reliability testing through Cronbach's Alpha to ensure the consistency of the survey.

This methodology offers a thorough evaluation of the effects of cultural and structural factor to whistleblowing and ethical decision-making in corporate governance.

By performing several statistical techniques like one-way ANOVA, exploratory factor analysis (EFA), and reliability test towards the survey respondents, the study would highlight significant impact of cultural and structural factors.

In this study, we gathered data from respondents working in organizations of different sizes (1-50 employees, 51-500

employees, 501-5000 employees, more than 5000). To analyse this, we used a One-Way ANOVA, comparing the average scores of each group. We calculated key statistics, like mean scores and standard deviations, and looked at p-values to see if there were any significant differences in perceptions. This revealed significant differences across organisation size, work experience and educational qualification. Ethical guidelines were strictly followed, ensuring confidentiality and voluntary participation. It shows large organizations have more awareness about corporate governance and have reporting channels, highly qualified employees have different level of perception but work experience has no effect on the variables.

Exploratory Factor Analysis (EFA) identified three key factors of the variance: Ethical business practices and internal controls, corporate governance perceptions and monitoring, Awareness of corporate governance concepts. Ethical considerations included voluntary participation, informed consent, and data confidentiality. It provides valuable insights to Strengthen Ethics and Compliance Programs and Improve Transparency in Executive Compensation and Governance Practices.

V. DISCUSSION & ANALYSIS

To effectively analyse the findings, a range of statistical tools were utilized:

ANOVA (Analysis of Variance): This method was used to determine if there are significant differences in perceptions of corporate governance, awareness among people, and reporting channels across various demographic groups, such as work experience, organization size and educational qualification.

Exploratory Factor Analysis (EFA): This approach helped identify the key underlying factors that influence perceptions of corporate governance and business ethics.

Descriptive Statistics: This was used to summarize trends, including mean values and frequency distributions, to emphasize important insights from the survey data. **Reliability Testing (Cronbach's Alpha):** This was employed to ensure the internal consistency and validity of the survey responses.

Apart from the mentioned above given below are the findings from the analysis and tools applied through questionnaire:

1. Reliability Analysis:

- Cronbach's Alpha = 0.903
- Standardized Cronbach's Alpha = 9.233
- Number of Items = 119
- Interpretation: The survey data is completed with no missing cases. The reliability of the 14-item scale is excellent ($\alpha = 0.903$), indicating that the survey effectively measures corporate governance and business ethics perceptions. The moderate standard deviation suggests some variation in responses, which may indicate

differing views across groups. This strong reliability supports the validity of the factor analysis.

2. Exploratory Factor Analysis (EFA):

Exploratory Factor Analysis (EFA) revealed three major factors that impact corporate governance in India.

Factor 1: Ethical Business Practices and Internal Controls (38.22% of variance) – It represents a company's commitment to maintaining high ethical standards, robust internal controls, and a culture of integrity. The strongest loadings in this factor include encouraging ethical behaviour among employees (0.848), operating with high ethical standards (0.804), having whistleblowing mechanisms (0.793), enforcing a clear code of conduct (0.790), and addressing conflicts of interest appropriately (0.787).

Factor 2: Corporate Governance Perceptions and Monitoring (20.55% of variance) -- It indicates that perceptions of governance structures significantly influence how organizations are judged by employees, investors, and the public. A high score in this factor suggests that a company is seen as having transparent leadership, fair executive compensation, and a proactive board of directors ensuring accountability.

Factor 3: Awareness and Familiarity with Corporate Governance (7.71% of variance) -- It represents the extent to which individuals understand and recognize corporate governance principles. This factor is defined solely by familiarity with the concept of corporate governance (0.938), indicating that respondents' awareness levels form a distinct and independent dimension from governance practices and ethical standards.

- Kaiser-Meyer-Olkin (KMO) Measure = 0.919 (indicating excellent sampling adequacy).
- Bartlett's Test of Sphericity: - Chi-Square = 964.636, df = 91, Sig. = 0.000
- Interpretation: The p-value is significant (<0.05), meaning that correlations exist among variables and factor analysis is appropriate.

3. One-Way ANOVA Results:

Significance Values (p-values)

- Effect of work experience on variables: p-value is greater than 0.05 of each variable → not significant
- Familiarity with Corporate Governance, unethical channel and organization size: $p = 0.016, 0.014$ → significant
- Individual perception and educational qualification: $p = 0.042$ → significant
- Null Hypothesis (H_0) = There is no significant difference in variables across the work experience of the employees.
- Alternative Hypothesis (H_1) = There is a significant difference in variables across the size of organisation and educational qualification.

We reject the null hypothesis indicating that familiarity with Corporate Governance, unethical channel and individual perception significantly varies with organization size and educational qualification.

VI. KEY FINDINGS

This study explores why ethical decision-making in corporate governance often falls short, especially in India. Many employees stay silent about unethical practices because they're afraid of retaliation or losing their jobs. In some cases, loyalty to bosses outweighs doing what's right. Leadership often sets a weak example, which trickles down through the organization.

On the structural side, poor enforcement of rules, weak whistleblower protections, and lack of proper oversight make it harder to uphold ethics. Add to that a general distrust in reporting systems and the social stigma attached to whistleblowing, and it's easy to see why people hesitate to speak up. This works as a challenge for an organisation. The data shows that strong internal controls and a culture that supports ethical practices make the biggest difference. It also found that larger companies and better-educated employees tend to make more ethical choices. The takeaway? Companies need to lead with integrity, strengthen protections, and build a culture where doing the right thing is the norm—not the exception.

VII. CONCLUSION

This research reveals that ethical decision-making in Indian corporate governance is significantly hindered by both cultural and structural barriers such as lack of trust in reporting systems, counter attack, weak regulatory enforcement, ineffective board oversight. The implications on employees feel demotivated and insecure, businesses face reputational risks, and society suffers from a lack of transparency and trust in institutions. The findings emphasize on the importance of ethical leadership, stronger legal protections, and a cultural shift toward accountability to foster a safe and ethical work environment. By identifying these challenges and barriers and offering practical reforms, this study contributes to building more responsible organizations, empowering employees to act with integrity, and supporting a society where ethical conduct is not only encouraged but embedded in corporate and public life. It helps in sustainable growth, public trust, and economic resilience.

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