The Dual Pillars of Conduct: Analyzing the Theoretical and Practical Intersections of Morality and Ethics in Nepali Business

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Abstract

This study explores how morality and ethics intersect in Nepali business and how both can work together to promote responsible corporate behavior. In today's world of globalization and rapid technological change, the line between personal morals and institutional rules has become unclear, creating new challenges for business leaders. This study explores how morality and ethics intersect in Nepali business and how both can work together to promote responsible corporate behavior. Using a qualitative approach based on legal documents, philosophy, and academic literature, the research employs interpretivist philosophy and doctrinal analysis to examine existing frameworks. The study finds that morality, internal and personal and ethics, external and rule-based are distinct but interdependent. Nepal has established key laws like the Companies Act (2006), Consumer Protection Act (2018), Industrial Enterprises Act (2020), and Securities Act (2006). While universal moral values exist across cultures, several ethical theories offer useful guidance for business choices. Ethics without morality becomes meaningless, while morality without ethics lacks public accountability. For long-term success, Nepali companies need to combine formal ethics systems with personal moral values through strong leadership, clear codes of conduct, employee training, accountability, and regular ethical audits.

Keywords: morality, ethics, corporate governance, legal framework, ethical principles

Introduction

Globalization and innovation have blurred traditional boundaries of morality and ethics, compelling Nepali businesses to integrate new ethical frameworks while preserving their cultural and moral foundations. Morality serves as a voluntary, personal, and culturally rooted compass that ensures consistency in individual behavior, even though it varies across people, time, and place. Ethics, by contrast, are external, institutional, and dynamic—codified through laws, professional standards, and organizational codes of conduct—and they are indispensable for trust, reputation, and sustainability (Lamichhane et al., 2024). The tension between morality and ethics is a central challenge in modern business conduct, as professional obligations may justify actions that individuals perceive as immoral. Diverse philosophical traditions, such as virtue theory, deontology, teleology, divine command, positivism, and applied ethics, provide complementary lenses for evaluating conduct, situating Nepali business ethics within a broader philosophical discourse. Ethical principles such as honesty, integrity, loyalty, and transparency are essential for building trust and reputation, ensuring long-term success, enhancing employee satisfaction, safeguarding against legal risks, achieving competitive advantage, and fulfilling social responsibility and sustainability. Ethical culture must be consciously created through leadership commitment, codified practices, training, dialogue, and accountability mechanisms. Ethics cannot remain abstract; it must be institutionalized to guide Nepali businesses toward sustainable growth and social legitimacy.

The means of transportation and communication have increased human mobility over the past century. The cross-border movement of people, goods, and services has expanded globalization. Rising mobility and globalization have made relationships among people of different values, traditions, and cultures inevitable and intense. Interaction among diverse values has accelerated. Innovations in science and technology have disrupted established values, leaving them weakened and at risk. New values have become necessary. Sapkota and Regmi (2013) explained standards of civic discipline that were followed earlier have been displaced or transformed. With the growing involvement of the state in solving human and social problems, traditional values have been replaced by new ones. Regulating individual and collective behavior has become increasingly challenging. Moreover, human behavior is no longer just individual but increasingly collective. The scale of collective action has grown not only in magnitude but also in the size and number of groups.

The vast platform of social networks has brought widespread changes, such as expression. By using the personal information of service users, large technology companies are attempting to control their behavior. The influence of this kind of soft power has not yet emerged clearly in regulatory frameworks. The growing economic dynamism of the private sector has blurred the boundaries between public and private spheres, creating a state of conflict in public responsibility. Pre-determined standards alone are no longer sufficient to encompass the diversity of public life. With increasing economic and social mobility, institutional mechanisms for regulating behavior are struggling to keep pace. Moreover, a single individual now has to perform multiple roles. Drawing boundaries between these roles and finding balance has become increasingly challenging.

As a social being, an individual's decisions and behavior affect not only themselves but also the behavior and decisions of others. In some cases, whether regular or irregular, individuals determine their decisions and behavior based on personal values. Similarly, addressing immediate social and political challenges also requires evaluation based on personal values, knowledge, and behavior. Although regulations are important, the framework of a well-organized regulatory system is broad. Personal self-regulation is influenced by morality and conduct. In the present time, there is a need to rely on moral perspectives to address current and future ethical complexities. Morality and conduct can provide fundamental normative guidance.

Morality

Morality mostly comes from the word 'Mor.' It mainly refers to social, traditional, and cultural practices. Morality is understood on the basis of the values embedded in these social traditions and cultural practices. In official definitions, the term is often used to convey proper and appropriate behavior and values. Morality refers to an individual's understanding of what is right and wrong. In a way, it acts as a compass guiding a person's behavior in confusing situations. Morality does not judge whether something is right or wrong; rather, it influences how a person behaves regarding it. Specifically, morality involves the trustworthiness of a person's actions in private life, adherence to laws and rules, honesty, truthfulness, and behavior in sexual matters. It relates to what is considered appropriate according to legal standards and societal norms.

Morality is influenced by individual differences and external factors. It is clearly evident that morality is primarily based on personal judgment and values. The implementation of morality is not carried out by someone else; it is practiced by the individual themselves. Morality brings consistency to personal behavior. Since it is implemented voluntarily by the individual, the level of morality can vary from person to person and may even differ at different times for the same person. The level of morality is not equal among all people. There are different opinions about morality. Some people say that morality is the language of God. They believe that, in human life, the language of God comes to humans in the form of morality. In contrast, scientific thought believes that morality exists merely as a personal preference and nothing beyond the expression of an individual's instinctive feelings. Some say that humans should base it on human conscious awareness, social influence, and necessity. Morals can vary by time and place; for instance, different countries might have distinct standards of morality.

Adams (1999) has identified seven morals that seem to be universal, bravery has elevated individuals to leadership roles by demonstrating strength in adversity, while fairness—expressed through compromise and turn-taking—ensures balanced interactions. Deference to authority upholds rules that serve the greater good, just as helping the group fosters belonging and altruism through shared traditions. Tine (2025) urges loving the family reinforces social norms and nurtures future generations with similar values, while returning favors encourages reciprocity and discourages selfishness. Finally, respecting others' property prevents disputes by relying on fairness and established ownership. These morals often require prioritizing the group's needs over personal interests. Individuals acting purely out of self-interest might be seen as selfish or immoral.

Ethics

This word originates from the Latin *Ethikos*. It was commonly used in Latin. Thus, it is related to the conduct of behavior. Ethical guidance is the instruction a person uses to determine what behavior is correct or incorrect. Ethics is associated with good or bad conduct. Behavior that has goodness is considered correct, while behavior that lacks it or contains badness is considered incorrect. In determining behavior, a person demonstrates correct behavior. Ethics is established from moral values and standards, business values, cultural values, and social values. Ethics plays an important role in decision-making and the implementation of good conduct. In many ways, ethics in behavior encompasses moral dilemmas, correct implementation, rights and responsibilities, and questions of what is right and what is wrong.

This is concerned not only with individual but also with collective moral values. The professional ethics of medical practice do not conform to those of engineering. Observing ethical standards ensures that the behavior of an individual or group remains good rather than bad (Aristotle, 1979). At its core, ethics is understood as guidance for a good life and adherence to moral values. In reality, ethics is related to the welfare of individuals and society. Many people's daily activities fall under ethical conduct. Studying ethics involves examining actions from the perspective of the goodness or badness of human behavior. Ethics is connected with responsibility; in situations without responsibility, the usefulness of ethics is weakened. Fundamentally, ethics provides answers to what constitutes good or bad human behavior. In a broader sense, ethics is the study used by society as a guideline for behavior and actions. Ethics is closely related to public administration as well. Ethics concerns what a public administrator should focus on in order to manage a nation's affairs properly (Thapa & Shrestha, 2025).

The standards of ethics are not always fixed; they vary according to time and place. Essentially, the standards of ethics are dynamic. Ethics is a product of social work. The definition of ethics does not depend on adherence; it is defined by others. The implementation of ethics is also carried out by others. Ethics is determined by laws and professional guidelines. Sometimes, the standards of ethics may conflict with the standards of morality. For example, saving a murderer's life may not be considered morally correct in certain situations, but a professional practitioner would consider it justified.

Ethics is divided into four branches. The first branch, Descriptive Ethics, studies what people actually do and what is considered right or wrong. The second, Normative or Prescriptive Ethics, deals with determining what actions are morally right or wrong (Mackie, 1977). The third, Meta-Ethics, examines the origin and meaning of ethical concepts. Similarly, Applied Ethics is concerned with the practical application of ethical principles.

Statement of the Problem

In today's globalized and technology-driven business world, the clear line between personal morality and institutional ethics has become increasingly blurred, creating a challenging landscape for companies, especially in societies like Nepal that balance modernization with cultural traditions. The core problem lies in the widening gap between internal, culturally rooted moral values and external, codified ethical rules—relying too heavily on rigid ethics without personal conviction leads to hollow rule-following, while depending solely on morality lacks enforceability and consistency for transparent governance. This dilemma is particularly acute in Nepal, where rapid globalization, technological change, and new laws such as the Companies Act (2006) and Consumer Protection Act (2018) are reshaping business practices, yet legal provisions alone do not guarantee ethical conduct. The persistent challenge is how to effectively harmonize individuals' inner moral compass with formal ethical standards to ensure reputation, sustainability, compliance, and social legitimacy. This study, analyzes the intersection of morality and ethics in Nepali business, exploring how personal virtues can be operationalized through formal frameworks to create a synergistic model where both pillars reinforce responsible corporate behavior.

Based on the issues outlined above, the central research question becomes: How can the theoretical and practical dimensions of morality and ethics be integrated to effectively guide responsible and sustainable business practices in Nepal?

To analyze how the theoretical and practical intersections of morality and ethics can be effectively integrated to guide responsible and sustainable business conduct in Nepal, by examining the effectiveness of the country's existing legal frameworks in bridging the gap between personal moral values and institutional ethical standards. This study further seeks to identify practical strategies for operationalizing personal virtues through formal ethical systems, ensuring compliance, long-term sustainability, and social legitimacy.

Methodology

Research Philosophy

The study adopts an interpretivist research philosophy, as the subject matter—morality, ethics, and human behavior—is socially constructed, context-dependent, and subjective. This approach enables the researcher to understand the meanings, values, and norms individuals and organizations attach to ethical conduct, rather than seeking objective, universal laws of behavior.

Research Approach

The study follows a qualitative, conceptual, and doctrinal approach. It is theoretical and analytical, examining existing philosophical theories, ethical principles, and legal frameworks to understand the intersections of morality and ethics. It is also doctrinal in nature, analyzing statutory provisions to determine codified standards of business ethics in Nepal. The study also serves both a descriptive and evaluative purpose, mapping the contemporary ethical environment while identifying and analyzing deficiencies in prevailing frameworks.

Research Design

The research design is non-empirical and library-based, involving systematic review, synthesis, and interpretation of existing knowledge rather than primary data collection. The design encompasses conceptual analysis, theoretical review, legal/statutory analysis, comparative synthesis of personal morality with institutional ethics and Western traditions with the Nepali context, and normative recommendations.

Data Sources

The study relies entirely on secondary sources, including: (a) Primary legal sources such as the Companies Act (2006), Consumer Protection Act (2018), Industrial Enterprises Act (2020), Securities Act (2006), Good Governance Act (2017), and Labour Act (2017); (b) Philosophical and theoretical literature from classical philosophers (Plato, Aristotle, Kant, Bentham, Comte) and contemporary theorists (Adams, Mackie, Quinn, Nielsen); (c) Academic and scholarly articles on business ethics, CSR, and governance in Nepal and South Asia; (d) Reports and official documents from Transparency International, Nepal Law Commission, and government departments, including case studies and judicial decisions; and (e) Books and reference works on ethics, business ethics, and moral philosophy.

Collection of Data

The data collection procedure involves identification (locating relevant statutes, philosophical texts, academic articles, and reports), selection (choosing authoritative and credible sources directly relevant to the research questions), extraction (systematically reading and extracting key concepts, arguments, and legal provisions), and organization (categorizing extracted information under thematic headings such as definitions of morality, ethical theories, legal provisions, and business ethics components).

Analysis of Data

The analysis is qualitative and interpretive, employing conceptual analysis to deconstruct and clarify key terms, thematic analysis to identify recurring themes across literature, legal interpretation to understand the scope of Nepali business laws, comparative analysis to contrast ethical theories and Nepali provisions with global standards, synthesis to integrate findings into a coherent framework, and critical evaluation to assess strengths, weaknesses, and practical limitations of existing frameworks in the Nepali context.

Ethical Considerations

As the study relies entirely on secondary sources and does not involve human participants, primary data collection, or fieldwork, formal ethical approval is not required. However, the study adheres to academic integrity standards by ensuring proper attribution and citation of all sources, avoiding plagiarism, accurately representing the ideas of original authors, and maintaining objectivity and honesty in interpretation and reporting.

Finding and Results

Debates Around Ethics and Morals

Contemporary debates surrounding ethics and morals reveal the increasingly nuanced and context-dependent nature of determining right and wrong in personal, societal, and professional life (Rai, 2013). These discussions challenge universal assumptions by posing dilemmas such as:

- Why do certain cultures eat various meats, such as horse meat, while others do not?
- Is the decision to eat pig-based food an ethical or moral issue? What role does religion play in this discussion?
- How do personal and societal values affect ethics and morals?
- When is it acceptable to build on green spaces? What if it meant affordable housing for families or for the poor? Would this make it acceptable? Who decides?
- Should we manufacture affordable, holistic, and homeopathic synthetic products, and can these be branded as such if they come from chemicals that are identical to those found in nature?
- Do we need to take vitamin tablets?
- When horse meat was found in prepared meals, it created an uproar. However, many people in the UK eat a range of meats, including chicken, beef, pork, and lamb. So why were people so concerned about this?
- Is climate change real, and can it be proved? Is it moral and ethical to cut forests in the Amazon so that we can have hardwood furniture in the West?
- Should one always argue, hypothesize, and debate, or be led from the top?

Ethics and Morality: Similarities and Differences

Ethics and morality are two closely related concepts, albeit with particular distinctions. Morality can be defined as the ability to determine what is right and acceptable and to act accordingly. Morals can be shared by a group of people, but they remain highly individual, personal, and ultimately internal. Meanwhile, ethics can be viewed as a set of moral principles recognized and established by a group in society. Ethics is rooted in morals, but is essentially an external and social system imposed on individuals within a particular social group (StudyCorgi, 2023). For example, behavior considered legal and ethical throughout a country, such as the death penalty, may be viewed as immoral by individuals residing there. Moreover, ethics, as the principles of a specific group, is uniform in nature because it corresponds to the needs of individuals in that group, whereas morals are highly diverse because the principles of individuals are influenced by a variety of unique factors.

Nevertheless, both notions relate to the distinction between what is deemed "good" and "bad" or "acceptable" and "unacceptable." However, it is vital to understand the differences between ethics and morals, as an action viewed as valid and appropriate in ethics can be regarded as morally wrong, and vice versa. Sport is one of the areas of life in which ethical behavior is often expected. Professional and amateur athletes alike are required to act with integrity, fairness, and respect for others. Above all, sportspeople are required to follow certain rules, and breaking them is considered highly unethical. For example, marathon and race runners should be mindful of other competitors and not intentionally impede their progress. Thus, it can be stated that a person who follows these rules behaves ethically and within the established standards of the sport. However, a runner who helps a collapsed athlete in front of them cross the finish line behaves beyond the expected ethical principles, as no rules are broken by ignoring a fellow participant. It is the personal moral code that states that helping a competitor is the right thing to do.

Major Ethical Theories

Ethical theories are fundamental guidelines that govern behavior and decision-making, particularly in fields such as the ethics of science and technology and the social and human sciences. These promote values like honesty, integrity, fairness, and respect for individuals, ensuring that actions align with moral standards and societal expectations. They serve as a framework for evaluating ethical dilemmas.

Virtue Theory

This theory gives importance to individual character rather than rules or behavior. The formulation of this theory, based on individuality, was developed by Plato (428–337 BCE) and Aristotle (384–322 BCE) centuries ago. They sought to determine whether a person's behavior is good or bad. They emphasized identifying the right conduct in human behavior. This theory believes that a person's character can determine the moral value of their actions. This theory identifies four cardinal virtues: Prudence, Justice, Temperance, and Courage. It is believed that only if these four virtues are present in a person can their character be good; without these virtues, their character cannot be good. If these four virtues can be properly defined, one can know at a given time what the correct action is. Prudence is the ability to predict the right outcome. Justice is fairness in situations or outcomes. Temperance is self-control through the restraint of impulses or desires (Sandel, 2009). Courage is the ability to endure and make things work effectively.

Deontological Theory (Duty and Responsibility)

This theory was propounded by Immanuel Kant (1724–1804). This theory emphasizes that morality lies in whether an act is performed out of duty or obligation rather than for personal gain or consequence. It does not consider what the person has achieved but judges the act itself in terms of duty or responsibility. It asks: What is one's duty? And what is the corresponding responsibility toward the rights of others? Decisions should be made with these questions in mind. Furthermore, duty and responsibility do not depend on consequences; an act is moral if it conforms to rules and laws. In reality, Kant developed the Theory of Rationality. Kant (2012) introduced the concept of making the right decision based on reason. According to him, the reason behind performing an act is important. An act carried out in accordance with laws and rules is related to duty. Therefore, in his view, an act performed in accordance with laws and rules fulfills duty. This theory also states that in every moral act, performance must align with duty and responsibility, and the intention of the person performing the act must also be correct.

Teleological Theory

This theory is based on the utilitarianism of the English philosopher Jeremy Bentham (1748–1832). This theory determines whether a person's behavior is right or wrong by considering the consequences of that behavior. If the behavior produces good results, it is considered right. This theory does not give importance to the intention or the means by which the behavior is carried out but focuses solely on the outcomes of the behavior. In other words, it validates the principle that "the end justifies the means."

This theory emphasizes that the primary goal of human behavior is to promote happiness and reduce suffering. Actions that increase happiness for oneself and for many others are considered moral. Most public decisions are made by considering overall happiness and benefits. According to this theory, the morality of public decisions is assessed based on who benefits and who suffers from the outcomes.

Consider the different types of consequentialism based on pleasure and satisfaction. Hedonistic consequentialism does not lead to practicality. Among these, there are also various kinds of consequentialism. Specifically, state consequentialism, which the state considers for public welfare; ethical egoism, which acts solely for one's own benefit; and ethical altruism, which acts for the benefit of others as well as oneself, can all be categorized in this way.

Meta-Ethical Theory

Meta-ethics does not evaluate concepts of morality, nor is it related to practice or behavior. It provides a theoretical foundation for ethics. This theory particularly relates to the question of whether ethics exists inherently or is a product of the psychological structure of the mind. Within this theory, there are concepts related to the definition of ethical words (Semantic Theory), fundamental theories related to moral standards (Substantive Theory), and theories concerning the inference or justification of ethical knowledge (Inference or Justification Theory).

Even with inanimate objects, actions cannot provide decisions or judgments, and analyzing them to determine whether something is true or false is not possible through cognitive actions (Kahneman, 2011). Non-cognitive approaches, therefore, hold the view that it is not possible to make decisions or determine truth or falsehood from them.

Divine Command Theory

Philosophers, both past and present, have sought to defend theories of ethics that are grounded in a theistic framework. Roughly, Divine Command Theory is the view that morality is somehow dependent upon God and that moral obligation consists of obedience to God's commands. Divine Command Theory includes the claim that morality is ultimately based on the commands or character of God and that the morally right action is the one that God commands or requires (Quinn, 1978). The specific content of these divine commands varies according to the particular religion and the particular views of the individual divine command theorist, but all versions of the theory hold in common the claim that morality and moral obligations ultimately depend on God.

Divine Command Theory has been and continues to be highly controversial. It has been criticized by numerous philosophers, including Plato, Kai Nielsen, and J. L. Mackie. The theory also has many defenders, both classical and contemporary, such as Thomas Aquinas, Robert Adams, and Philip Quinn. Nielsen (1973) raised a question of the possible connections between religion and ethics is of interest to moral philosophers as well as philosophers of religion, but it also leads us to consider the role of religion in society and the nature of moral deliberation. Given this, the arguments offered for and against Divine Command Theory have both theoretical and practical importance.

Positivist Theory

The positivist theory of ethics emphasizes that moral principles should be grounded in observable facts, scientific reasoning, and social utility, rejecting metaphysical or purely speculative foundations. It aligns closely with utilitarianism, focusing on the greatest happiness for the greatest number.

The origins of positivist ethics lie with Comte (1853) argued that ethics should be treated as a science based on empirical observation rather than abstract speculation. Positivism emerged as a direct reaction against metaphysics and theology, insisting that only observable and measurable facts can form the basis of valid knowledge and moral principles. From this foundation, several core principles follow: an empirical foundation requiring ethics to be derived from human experience and social facts; a utilitarian orientation that judges moral actions by their ability to maximize happiness and minimize suffering; a rejection of metaphysical concepts such as “absolute good” or divine morality as unverifiable; and the application of the scientific method, meaning ethical inquiry should follow the same logic as the natural sciences—objective, rational, and evidence-based.

The ethical implications of this approach are significant. Positivist ethics prioritizes social utility over individual conscience, focusing on collective well-being rather than personal moral feelings. It demands objectivity, insisting that moral judgments avoid personal bias and rely on measurable outcomes. Furthermore, positivism carries a progressive vision: its adherents believed that applying scientific principles to ethics would lead to social improvement and moral progress over time. A comparison with traditional ethics highlights these differences: while positivist ethics is based on observable facts and science, to achieve the greatest happiness and social utility through an empirical method, traditional ethics typically relies on metaphysics, religion, or philosophy, pursuing virtue, divine will, or duty through speculative, subjective, or interpretive means.

Applied Ethics

Applied ethics is particularly concerned with controversial moral issues. It arises when all options for making a decision are considered. For matters such as the desire for life and suffering in incurable diseases, applied ethics can take the form of addressing such controversial moral issues. Thus, applied ethics is the discipline that aims to gain an understanding of ethical considerations in controversial subjects (Das, 2012). Knowledge of ethics in the following areas helps in decision-making regarding controversial issues:

- **Biomedical Ethics:** Concerned with ethical issues in life and medical sciences.
- **Business Ethics:** Concerned with ethical issues in organized business matters.
- **Organizational Ethics:** Concerned with the duties of members of a group or organization in collective activities.
- **Legal Ethics:** Concerned with ethical issues in legal practice.
- **Military Ethics:** Concerned with ethical issues in military matters.
- **Political Ethics:** Concerned with ethical considerations regarding political work and actions carried out by politicians.
- **Public Service Ethics:** Concerned with the ethical aspects of public officials carrying out their duties.

Determination of Ethics

Ethics is the principle that determines whether a person's behavior is correct or not. What behavior is right or wrong? To determine this, one must pay attention to certain elements. The first is intention, the second is action, and the third is the environment. A person's intention, according to their will, to perform or not perform an act through mind, speech, and body, is the first determining element. A good action cannot occur if the intention is bad. The second element is related to the purpose of the action. Was the action performed for the intended purpose or not? This determines whether the behavior represents proper ethics. Actions performed with the wrong intention cannot be considered ethical.

Besides human will or morality, the environment also significantly influences ethics. The environment can completely reverse the nature of an action, and it can even affect the performance of correct or incorrect behavior. Without examining the internal environment, the determination of morality cannot be fulfilled based solely on facts and intentions. For this reason, any human behavior can be considered good in terms of moral standards to the extent that it aligns with moral values, intentions, and context. Any human behavior, to the extent that it aligns with these elements, can be used as a basis for judging the morality of that behavior. The greater the alignment with these elements, the more morally good that behavior is.

Consequence of Ethics

The consequence of ethics is the effect that produces results after an action is properly performed. Intention is the medium, while consequence is the effect of the result. The quality of any behavior determines its virtue in the consequence. In consequences, virtue is often reflected at the level of the doer's actions, but at the national level it is generally lower. The discussion of the consequences of ethics is based on the production of results. According to Curry et al. (2019) the amount of merit or demerit in a deed depends on its consequence. This determines the level of virtue in the consequence. In this context, the virtue of the consequence is connected with pleasure and demerit. If the level of pleasure or demerit is low, the consequence is less significant in ethics; if it is high, it holds greater importance. Hence, morality is inherently connected with ethics. The principles of morality and ethics reveal the nature of human virtue, which is indeed reflected in consequences. Even a medium-sized misdeed, when initiated with good intentions, can be rectified by a person of moderate character. A failure that occurs while deliberately violating the rules can still lead to good outcomes. Whether or not one practices morality and ethics in the world depends on the cowardice present in the individual, and even a person filled with cowardice can produce good results.

Rationale of Ethics in Business

Business ethics, Freeman (1984) refers to the moral principles and values that govern the actions, decisions, and conduct of an organization and its stakeholders. These principles can include honesty, integrity, transparemancy, and social responsibility, among others. The scope of business ethics goes beyond legality; it is about doing the "right" thing, even when laws allow more lenient conduct.

Trust and Reputation

A company with strong ethical principles will naturally earn the trust of its customers, employees, and investors. This trust is the cornerstone of reputation, which is invaluable in the business world. A tarnished reputation can lead to lost revenue, legal troubles, and seriously hamper growth prospects.

Long-Term Success

While compromising ethics might bring short-term gains, it is unsustainable in the long run. Ethical business practices ensure that a company can weather economic downturns and changes in the market more effectively. Investors and stakeholders are more likely to stand by a company that has a reputation for ethical conduct.

Employee Satisfaction and Retention

Employees prefer working in organizations where they feel valued and where the work environment is guided by ethical principles. High employee morale translates into increased productivity, which in turn benefits the organization. Ethical businesses often find it easier to retain talent, saving the costs and effort associated with hiring and training new employees.

Legal Safeguards

Companies that prioritize ethics are naturally at a lower risk of facing legal troubles. Compliance with laws and regulations becomes easier when ethics guides decision-making. Legal issues can severely damage a company, not only financially but also in terms of reputation.

Competitive Advantage

Ethical conduct can serve as a significant differentiator in the market. Customers today are more informed and are willing to patronize businesses that align with their ethical values. Consequently, ethical business practices can offer a competitive edge, helping attract and retain customers.

Social Responsibility and Sustainability

With increasing attention to corporate social responsibility, businesses that engage in ethical conduct often find it easier to achieve their sustainability goals. Ethical companies usually consider the social and environmental impact of their actions, contributing to a more sustainable future for everyone (Chapagain et al. 2025).

An ethical business culture is built when senior leadership sets the tone for integrity, reinforced by a clear code of ethics that outlines expectations and guidelines. Regular ethics training ensures that employees understand their responsibilities while fostering open dialogue and providing safe channels for reporting dilemmas or violations, which strengthens trust. Finally, consistent internal and external audits help monitor compliance, ensuring that ethical standards are upheld across the organization.

Components of Good Ethics in Business

Honesty

Honesty requires a commitment to telling the truth, regardless of the consequences. It encourages trust among colleagues and between a business and the public. Everyone in an organization benefits from honesty. Employees want to work for honest leaders, business owners want honest employees, and clients want to do business with honest partners. This means sharing favorable and unfavorable news with the same candor and directness, leading to a reputation for reliability.

Integrity

Having integrity means adhering to a set of moral standards at all times, even if no one is aware of your choices. Others notice when you live and work with integrity, which leads to respect and confidence in your decisions. This applies to people who work with others as well as those who work alone, as strong integrity can influence honesty and obedience to rules and regulations.

Loyalty

Loyalty as remaining faithful to business partners, coworkers, and clients to demonstrate the commitment. It can develop lasting partnerships and a firm foundation for future success when it proves the loyalty and honor these agreements. This can extend to maintaining relationships with suppliers, sharing promotional opportunities with coworkers in the department, or honoring financial commitments to the community.

Creation of Ethical Practices

Companies must do more than hope that their organization will operate ethically. Leaders might develop a defined code of ethics for their business practices and share it with all employees. Consider using a consulting firm to help craft a thorough and specific set of ethical practices. Explaining exactly what a company expects of employees reduces stress and confusion, creating clear expectations and a shared mission for everyone.

Implementation of Ethical Practices

Beyond writing a code of ethics, companies must include protocols to implement and enforce these policies. Consider regular training on the company's practices, incorporating scenarios that team members can discuss and work through. Companies can also create recognition programs and incentives for those who demonstrate high ethical standards.

Compliance

The most basic level of ethical business practice involves complying with all laws related to the business. From international trading regulations and state tax codes to local building ordinances, companies must ensure that all practices adhere to these guidelines. Often, legal regulations can serve as the initial framework for an organization's code of ethics. By starting at the macro level, companies can use these industry regulations as an outline for developing more specific policies and procedures.

Fairness

Being fair in the workplace involves treating everyone equally, from assistants and interns to the CEO. Fairness also means avoiding preferential treatment and encouraging everyone to share their thoughts and ideas. A fair workplace promotes inclusion and equity internally as well as for clients and customers. Fairness in the workplace creates a unified environment where employees feel comfortable, which increases engagement. Fairness might encompass the following areas: hiring new employees, promoting team members, delegating tasks, and reviewing performance.

Respect

Treating others with respect is a core principle of business ethics. Each team member deserves a voice and the opportunity to share opinions and ideas in a supportive environment. Workplaces that promote individual respect can experience enhanced collaboration and teamwork among employees. Showing respect includes listening to clients and coworkers with an open mind, showing kindness and courtesy, remaining polite even during disagreements, refraining from personal attacks, and monitoring nonverbal communication, including body language and facial expressions.

Trustworthiness

Trustworthy workers keep their word to customers, colleagues, and business partners. Honoring commitments proves that others can count on you, making you a trusted employee and coworker. Trustworthiness also involves being dependable and meeting your obligations. Trustworthiness can be demonstrated at work by arriving on time, meeting deadlines, showing up to scheduled meetings, and establishing consistency in words and actions.

Responsibility

Being responsible in the workplace means taking ownership of your tasks. Responsibility includes thinking about how your actions can affect those around you and making choices that consider other people. Employers and employees depend on responsible workers to make the best decisions without requiring constant supervision. Being responsible demonstrates maturity, capability, and discipline.

Accountability

Accountability is important for ensuring that employees are held to a company's ethical standards. If most team members support a business's ethical code, they will expect others to behave in the same way. This creates a culture of high moral expectations that encourages all team members to act ethically in areas such as managing time, using company resources, and producing an appropriate quantity and quality of work.

A business can also increase accountability to the public for its actions. With numerous ways to connect with companies, including email and social media, consumers can easily communicate their support or opposition to a company's actions (Champbell, 2007). This accountability encourages businesses to act efficiently and ethically.

Compassion

People who display compassion genuinely care about the well-being of others. In business, compassion can mean that organizations increase their involvement in charitable causes and strengthen interpersonal interactions among colleagues (Parajuli, 2025). It involves taking the time to understand the thoughts and feelings of another person.

People often want to work in an environment where they feel valued and cared for and to do business with companies that display compassion toward consumers and the community. Examples of compassion in the workplace include:

- A restaurant holds a fundraiser for a local child in the hospital.
- A group of employees organizes a meal delivery schedule for a coworker who has lost a loved one.
- Company leaders schedule a day off for workers after a particularly busy season.

Social Consciousness

As the world becomes increasingly connected, social issues receive more and more attention. Consumers look for businesses that use their platform to raise awareness of and support change on social issues. Socially conscious business practices include following fair trade practices, working with business partners and suppliers that source ethically grown products, and paying fair wages. Customers might prefer to do business with companies that take these extra steps to positively impact society.

Environmental Consciousness

The global climate crisis remains a focus for business owners, employees, and clients. Ethical business practices include making choices to limit or reduce negative impacts on the environment, such as reducing carbon emissions from transportation and factories, limiting trash and waste production, encouraging energy-saving practices, and creating more sustainable, cost-saving strategies.

Transparency

Creating transparency in the workplace is one way to promote ethical operations. Some companies may offer financial transparency to investors or employees to show how the company operates. Transparency can also refer to organizational structure, criteria for hiring and firing, and addressing mistakes when they occur. For example, if a business must raise prices, it can communicate the reasons directly and honestly to consumers. This openness is another way to develop trust among employees and customers.

Provisions of Ethics in Nepali Business

The legal framework for business ethics in Nepal is evolving and is primarily enforced through statutory compliance, with a growing emphasis on consumer protection and corporate accountability. The following provisions outline the key legal and ethical obligations for businesses operating in Nepal.

Statutory Duties of Directors and Officers

At the core of corporate ethics in Nepal lies the Companies Act, 2006, which imposes specific legal and fiduciary duties on directors and officers. These provisions are fundamental to ensuring that those in charge act with integrity.

According to Section 99 of the (Companies Act, 2006), several key ethical obligations are mandated:

Prohibition of Personal Benefit. Directors are strictly prohibited from using the company or its business to derive any personal benefit. If a director violates this provision, the company has the legal right to recover that amount as if it were a loan.

Duty of Honesty and Good Faith. Directors must act honestly and in good faith, always prioritizing the interests and benefit of the company. This requires them to exercise the care, caution, and diligence of a "reasonable and prudent person."

Liability for Damages. If a director acts with an ulterior motive and causes loss or damage to the company, they can be held personally liable, and the company may recover damages.

Consumer Protection as a Business Ethic

Consumer rights are constitutionally upheld as fundamental rights in Nepal, making their protection a critical ethical and legal obligation for businesses. The Consumer Protection Act, (2075 BS) is the primary legislation in this area. Mechanisms enforcing ethical conduct toward consumers include:

Establishment of the Consumer Court. A specialized Consumer Court has been established to ensure judicial remedies for consumers. It handles complaints related to unfair trade practices, adulterated goods, and other forms of consumer exploitation, typically aiming to resolve cases within 90 days.

Market Monitoring and Penalties. The Department of Commerce, Supplies, and Consumer Protection actively monitors the market, especially during festivals. In a recent example, three firms in the Kathmandu Valley were fined for violating consumer rights and trade ethics under the Consumer Protection Act, with fines ranging from NPR 5,000 to NPR 20,000.

Product Liability. The legal framework is increasingly focused on product liability, holding manufacturers and sellers responsible for defective products that cause harm. This encourages businesses to adhere to quality and safety standards.

Sector-Specific Ethical Obligations

Beyond general corporate law, specific acts impose ethical and compliance duties on particular sectors.

Industrial Enterprises Act, 2020 **(2076).** This Act, which governs industrial enterprises, includes provisions that promote ethical industrial conduct. Key provisions include:

Mandatory Registration and Reporting. All enterprises must register and submit annual reports, including financial statements and records of Corporate Social Responsibility (CSR) contributions, to regulatory bodies.

Penalties for Non-Compliance. Failure to comply with standards, including environmental, labor, and building codes, can result in fines ranging from NPR 10,000 to NPR 500,000, as well as the suspension of licenses.

Securities Act, 2006 (2063). This Act is crucial for maintaining ethical conduct in Nepal's stock market.

Prohibition of Insider Trading. Using confidential, non-public information for trading is a criminal offense. In a notable case, an energy investor faced a money laundering case for alleged insider trading, where he was accused of using his position as a company chairman to profit from selling shares through family members. Convictions for insider trading can lead to imprisonment of up to 3 years and fines ranging from NPR 500,000 to NPR 5 million.

Ban on Market Manipulation. The Act also penalizes market manipulation, such as spreading false information to artificially influence stock prices, with similar penalties, including imprisonment and confiscation of profits.

Enforcement and Accountability Mechanisms

The effectiveness of these ethical provisions depends on robust enforcement. Mechanisms in Nepal include:

Judicial Recourse. The newly established Consumer Court provides a faster legal channel for consumers. Additionally, general courts hear cases involving fraud, breach of duty, and money laundering.

Regulatory Oversight. The Department of Industry, the Department of Commerce, and the Securities Board of Nepal are responsible for monitoring compliance, conducting inspections, and initiating legal action against violators.

Corporate Governance. The board of directors is tasked with enforcing ethical standards and can dismiss a director for dishonest or improper activities. Shareholders also have the power to remove directors through a general meeting resolution.

The provisions of ethics in Nepali business are not merely aspirational; they are codified into law with clear duties, robust enforcement mechanisms, and significant penalties for violations (Adhikari, 2012). By adhering to these legal standards, businesses in Nepal can foster transparency, build consumer trust, and contribute to a fair and stable economic environment.

Major Findings

Morality and Ethics are Distinct but Interdependent

The study establishes that morality (internal, personal, culturally rooted, and voluntary) and ethics (external, institutional, codified, and enforceable) are fundamentally different yet mutually dependent. Ethics without morality becomes empty rule-following, while morality without ethics lacks social accountability. Effective business conduct requires the integration of both.

Seven Universal Moral Principles Exist Across Cultures

Drawing on cross-cultural research, the study identifies seven universal morals: bravery, fairness, deference to authority, helping the group, loving the family, returning favors, and respecting others' property. These morals often require prioritizing group needs over personal interests.

Multiple Ethical Theories Offer Complementary Frameworks

Six major ethical theories—Virtue Theory, Deontology, Teleology (Utilitarianism), Meta-Ethics, Divine Command Theory, and Positivist Theory—each provide unique insights for business decision-making. No single theory is sufficient; an integrated, pluralistic approach is most effective.

Nepal has a Codified Legal Framework for Business Ethics

Nepal has established enforceable legal provisions through:

- o Companies Act, 2006 (directors) fiduciary duties, honesty, personal liability)
- o Consumer Protection Act, 2018 (Consumer Court, market monitoring, product liability)
- o Industrial Enterprises Act, 2020 (CSR reporting, penalties for non-compliance)
- o Securities Act, 2006 (insider trading prohibition, market manipulation bans)

Enforcement and Accountability Mechanisms are Strengthening

Key mechanisms include specialized Consumer Courts (resolving cases within 90 days), regulatory oversight by multiple government agencies, and corporate governance structures that empower boards and shareholders to enforce ethical standards.

Twelve Core Ethical Principles Underpin Business Success

The study identifies honesty, integrity, loyalty, fairness, respect, trustworthiness, responsibility, accountability, compassion, social consciousness, environmental consciousness, and transparency as essential components. These principles build trust and reputation, which are the cornerstones of sustainable business.

Globalization, Technology, and Collective Action are Reshaping Ethics

Contemporary forces—globalization, technological innovation, social media, collective action, blurred public-private boundaries, and multiple individual roles—are challenging traditional moral and ethical frameworks. Pre-determined standards and institutional mechanisms alone are insufficient; personal self-regulation guided by morality is increasingly necessary.

Ethical Behavior Depends on Aligning Intention, Action, and Environment

The study finds that ethical behavior is determined by three elements: intention, action, and environment. An act is morally good to the extent that these three elements align. The greater the alignment, the more morally good the behavior.

Consequences Matter, but Intentions and Context are Equally Important

While utilitarianism emphasizes consequences, the study finds that virtue in consequence depends on aligning intention, action, and environment. Even a misdeed with good intentions can be rectified, and a failure while violating rules can still lead to good outcomes.

Nepal Requires an Integrated, Culturally Sensitive Approach

Nepal's cultural diversity, religious influence, evolving legal framework, and development imperatives demand a tailored approach. The path forward lies in codifying ethical provisions into enforceable statutes, coupled with market monitoring and judicial recourse, while simultaneously nurturing personal morality.

Ethical Culture Must Bbe Consciously Created and Institutionalized

Ethical culture cannot emerge spontaneously; it requires leadership commitment, codified practices, regular training, open dialogue, and accountability mechanisms. Ethics must be institutionalized to guide businesses toward sustainable growth and social legitimacy.

Practical Recommendations for Nepali Businesses

Institutionalize ethics through clear codes, training, and accountability

- Nurture morality by encouraging personal values like fairness and respect
- Demonstrate leadership commitment from the top
- Integrate ethical audits into governance
- Align morality and ethics in all decision-making

Conclusion

In an era characterized by unprecedented mobility, globalization, and technological disruption, traditional values and institutional regulations alone have proven insufficient to guide human behavior effectively. This study establishes that morality serves as an internal, personal compass shaped by culture and individual judgment, while ethics functions as an external, systematic framework codified through laws and professional standards. The growing complexity of collective action, digital privacy concerns, and blurred public-private boundaries demands more than mere legal compliance, necessitating a sophisticated integration of both moral and ethical frameworks.

Effective behavioral guidance requires an integrated approach in which personal moral virtues—honesty, integrity, loyalty, and compassion—are operationalized through formal ethical principles including deontological duty, teleological outcomes, virtue ethics, and applied ethics. In the Nepali context, this integration is validated by legal provisions that codify ethical expectations into enforceable statutes. The Companies Act (2006) mandates fiduciary duty and honesty from directors, the Consumer Protection Act (2018) enforces fairness through specialized courts, and sector-specific laws prohibit insider trading while mandating Corporate Social Responsibility reporting. These provisions demonstrate Nepal's commitment to institutionalizing ethical conduct across all sectors.

Ethics without morality becomes empty rule-following devoid of genuine conviction, while morality without ethics lacks social accountability and enforceability. For individuals, cultivating self-regulation guided by universal morals—bravery, fairness, helping the group, deference to authority, loving the family, returning favors, and respecting others' property—provides a moral compass for navigating complex ethical dilemmas. For businesses, transparent, accountable, and socially conscious practices beyond legal minimum standards are essential. The key takeaway is that virtue in consequence depends on aligning intention, action, and environment—alignment achieved only when personal morality and institutional ethics work in tandem.

Practical recommendations for Nepali businesses include institutionalizing ethics through clear codes of conduct, regular training, accountability mechanisms, and ethical audits while simultaneously nurturing morality as a guiding compass. Leaders must set the tone for ethical culture, integrate ethical audits into governance, and ensure decision-making consistently reflects both moral conscience and institutional responsibility. Through this integrated approach, Nepali businesses can navigate globalization, technological disruption, and cultural diversity while maintaining integrity of both individual moral compasses and institutional ethical frameworks, ultimately contributing to a fair, transparent, and sustainable economic environment benefiting all stakeholders.

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