



## Mains Practice Question

**Q.** Briefly explain the following terms with the help of an example:

- (a) Ethical Fading
- (b) Fiduciary Duty
- (c) Bounded Ethicality

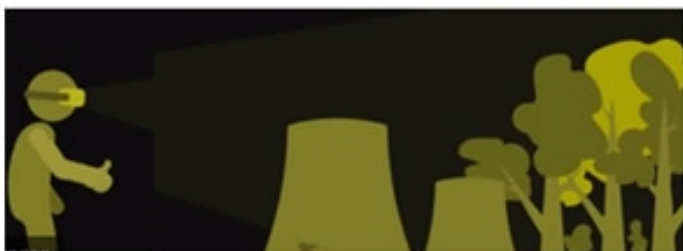
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### A. Ethical fading

- Ethical fading occurs when the **ethical aspects of a decision disappear** from view.
- This happens when people focus heavily on one aspect of a decision, such as **profitability or winning**. People tend to see what they are looking for, and if they are not looking for an ethical issue, they may miss it altogether.
- Ethical fading is similar to **moral disengagement**. It is when people restructure reality in order to make their own actions seem less harmful than they actually are.
  - Both ethical fading and moral disengagement help people **minimize the guilt** they feel from violating ethical standards.

#### Examples:

- A manager asking a new recruit to appreciate his behaviour with their client for the sake of promotion.
- Many national leaders not accepting the phenomenon of climate change.



How people perceive industrialization

## B. Fiduciary Duty:

- A fiduciary duty is the legal responsibility to act solely in the best interest of another party. 'Fiduciary' means **trust**, and a person with a fiduciary duty has a **legal obligation to maintain that trust**.
- It includes duties of undivided loyalty, due diligence and reasonable care, full disclosure of any conflicts of interest, and confidentiality.

### Examples

- Civil servants have a fiduciary duty with the people of India to adhere to the constitutional values.
- The trustees of a mutual fund have a fiduciary duty to protect and further the interests of investors.

## C. Bounded Ethicality

- Bounded ethicality is the idea that our **ability to make ethical choices** is often **limited or restricted** because of **internal and external pressures**.
- Outside pressures, such as the tendency to conform to the actions of those around us, can make it hard to do the right thing.
- Hence, people are susceptible to cognitive biases and organizational or social pressures that limit their abilities to make ethical decisions.

### Examples

- People in India could not eliminate the practice of Sati even till 18<sup>th</sup> century. It was due to the efforts of great social reformers like Raja Ram Mohan Roy that common Indians could come out of their bounded ethicality.
- A Member of Parliament has to adhere to party's whip in the house on important issues restricting his/her personal preferences on the issue.

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