

# Social Responsibilities of Business

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## 6.1 INTRODUCTION

Social responsibility of business implies the obligation of the management of a business enterprise to protect the interest of the society. No business exists in isolation. Every organ of the society contributes towards the success of a business. Thus, it becomes important that business should do something for the society in return. This responsibility of business towards the society is called social responsibility.

A socially responsible firm should not work solely for profit maximisation but should also seek the welfare of different sections of the society.

Every business organisation operates in an environment with which it interacts. No organisation can survive in the absence of environment. It has to draw its inputs like manpower, money, machines, materials etc. from its environment. After converting the inputs into output, the organisation sets it

to the various segments of the society that are also important components of the environment. Thus, existence of a business organisation depends on the society both for the procurement of required input and disposal of its output.

### 6.1.1 Concept of Social Responsibility

Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society. So, all the activities of business should be performed in such a manner that they will not harm any part of society rather they will protect and contribute to the interest of society.

#### Definitions:

**Howard D. Bowen** - 'Social Responsibility is to pursue those policies to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.'

**Keith Davis** - 'Social responsibility of business refers to the obligations of business man's decisions and actions beyond the firm's direct economic and technical interest.'

The concept of social responsibility has been followed in India since ancient times. Philosophers like Chanakya from India and pre-Christians era philosophers in west, preached and promoted ethical principles while doing business.

Social responsibility is broader than legal responsibility of business. Legal responsibility may be fulfilled by mere compliance with the law. Social responsibility is more than that. It is the firm's recognition of social obligations even though not covered by law along with the obligations laid down by law. In other words, social responsibility involves an element of voluntary action on the part of business people for the benefit of society.

### 6.1.2 Need for Social responsibility

Business organisation is run by profit motive but profit maximisation should not be the sole aim. Commitment to society is also important. The following points bring out the need for social responsibility of business

#### 1) Concept of Trusteeship:

Trusteeship is a socioeconomic philosophy that was propounded by Mahatma Gandhi. It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. Businessmen are considered to be trustees of society.

#### 2) Changing expectations of society:

Society's expectations from business firms have undergone a drastic change over the years. In the early days, business were viewed only as a provider of goods and services.

But today society expects business to be a responsible citizen and contribute towards social welfare.

#### 3) Reputation:

Businesses spend huge amount of resources in brand building and strengthening their image. A socially responsible company enjoys a good reputation in the society. It results in increased sales, profitability, attraction of talent and sustained growth.

**4) Protection of Environment:**

Business organisation should make proper use of country's natural resources. They should avoid environmental degradation such as contamination of water resources, depletion of the ozone layer etc. which have been caused by businesses. These have resulted in poor health of the community and placed a question mark on the survival of human species.

**5) Optimum Utilisation of Resources:**

Modern businesses have huge amount of resources at their disposal. With such large resources businesses are in a better position to protect society's interests. Wastage of resources should be avoided.

**6) Pressure of trade Union:**

Nowadays, workers have become conscious of their rights. Trade unions are growing fast and play important role in business environment. Workers expect management to provide fair wages, bonus etc. to avoid conflicts between trade unions and management. To avoid conflicts, business should understand responsibility and act accordingly.

**7) Growth of Consumer Movement:**

Development of education and mass media and increasing competition in the market have made the consumers conscious of their rights and powers in determining market forces. So, business enterprises have to follow consumer oriented policies.

**8) Government Control:**

From the point of view of a business, government regulations are undesirable because they limit freedom. Government have enacted various laws. This has put moral as well as legal pressure on business.

**9) Long term self interest:**

A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society' when increasing number of members, of society- including workers, consumers, shareholders and government officials, feel that business enterprise is not serving their interest, they will tend to withdraw their cooperation to the enterprise concerned so in their own self interest, a firm fulfils its social responsibility.

**10) Complexities of Social Problems:**

Some of the social problems have been created by business firms themselves such as pollution, unsafe work places, discrimination etc. It is the moral obligation of business to solve such social problems.

**11) Globalisation :**

The entire globe is the market place nowadays. It provides more opportunities and challenges to business. International trade barriers have reduced and resulted in global distribution of goods and services. Countries who have adopted good practices are influencing the world.

**12) Role of Media:**

Media plays important role in public life. Due to internet, it is easier to reach a common man. Media is very vibrant and active. It can influence masses in society. Media can raise voice against business malpractices and exploitation of consumers. Business should not ignore social values.

## 6.2 RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS

Business cannot function in isolation. It depends upon the society for its input and output. It is conducted with the help of various interest groups such as investors, owners, employees etc. Interest of all these should be balanced and properly protected.

### 6.2.1 Responsibilities Towards Owners:

Owners are the persons who own the business and they are responsible for the profits or losses and they contribute the capital and bear the risks. Following are the responsibilities towards owners.

#### 1) Reasonable Profit:

Business should earn reasonable profit. Profit facilitates growth and expansion. It will bring financial stability.

#### 2) Exploring Business Opportunities:

Opportunity is the scope available for business unit to expand, grow and diversify the business. Businessmen should be alert to find such opportunities. For success of the business it is very crucial and so whenever they arise it should be explored.

#### 3) Optimum Use of Capital:

Available capital should be used carefully and efficiently. Business risks should be considered. Management should give attention to the safety of the capital.

#### 4) Minimise Wastages:

Business organisations can maximise profitability by minimising wastages. Wastage of time, money, manpower should be minimised.

#### 5) Efficient Business:

Scarce resources should be utilised at optimum level. Efficient use of resources will increase profitability and productivity so that business can be conducted more efficiently.

#### 6) Fair Practices on Stock Exchange:

All sorts of unfair practices related to stock exchange like insider trading, providing wrong and secret information etc. should be avoided. Share prices are artificially increased or decreased which will lead to loss to common investors.

#### 7) Expansion and Diversification:

For expansion and diversification, business should be growing & developing. Business should undertake R and D (Research and Development) of various projects so that they can face market competition.

#### 8) Periodic information:

Owners should get complete and accurate information about the financial position. Business should disclose information through reports, circulars etc.

#### 9) Effective Use of owners' Funds:

Owners' funds must be utilized in the best possible manner. It should give short term and long term returns in time.

## 10) **Creating Goodwill:**

Management should develop and maintain good public image. A well reputed company commands a lot of respect and trust in the market.

### 6.2.2 **Responsibilities Towards Investors:**

Investors provide finance to the company. They are creditors of business. Business should fulfill following responsibilities towards the investors.

#### 1) **Proper Conduct of Meetings:**

Company should call meetings of investors and provide information about the business. Proper notices of meeting should be sent to them. In period of crisis, investors should be taken into confidence. Factors responsible for failure should be known to the investor.

#### 2) **Return on Investment:**

Investors invest their money in business and accept risk factor. They should get fair returns on investment regularly in the form of interest. Following points should be considered

a. Fair returns on investment b. Safety of investment. c. Steady appreciation of business.

#### 3) **Handling Grievances:**

A company should handle investor's grievances, if any. There should be effective methodology for this. All queries regarding any other issue must be answered in a satisfactory way.

#### 4) **Maintain Transparency:**

Investors provide long term capital as well as working capital to run business efficiently. So it should maintain high degree of transparency in its operation.

#### 5) **Proper Disclosure of Information:**

Management should present full and factual information to investors. They should get regular reports, circulars and statement of profit. The financial performance of the company must be provided correctly so that prospective investors can take right decisions to invest in future. All this will ensure them that their investment is safe.

#### 6) **Maintain Solvency and Prestige:**

Business should maintain sound financial position, solvency, prestige and goodwill to satisfy investors. Business should take continuous efforts for research, innovation and expansion programme.

### 6.2.3 **Responsibilities Towards Employees:**

Employees are human resource to the organisation. They must be treated with dignity and respect. The management and employees should develop mutual understanding and trust. Government has passed various labour laws to safeguard the interest of employees.

Business has following responsibility towards employees

#### 1) **Job security:**

Security of job provides mental peace and employees can work with full dedication and concentration. Commitment with the work will raise their morale and loyalty towards the organisation.

## **2) Fair Remuneration:**

The business should pay attractive salaries to all their employees. Other incentives like bonus, overtime allowance etc. should be given to them. Remuneration should be fixed according to the nature of work. Suitable wage plans providing increments and revision of wages is also essential.

## **3) Health and safety Measures:**

Business should protect health and hygiene of employees. Canteen facilities, medical facilities and proper sanitation must be provided to the workers. Proper maintenance of machines and premises must be done to prevent accidents and to control pollution. Safety equipment like hand gloves, safety shoes, helmets, goggles, masks etc. should be provided to concerned employees.

## **4) Good Working Condition:**

The employees should be provided with good working conditions such as adequate lighting, ventilation, drinking water etc. Necessary steps should be taken to avoid air, water and sound pollution. There should be proper working hours with lunch breaks and rest pauses etc.

## **5) Recognition of Trade Unions:**

It is the responsibility of business organisation to maintain industrial peace. Employer must recognize the workers' right to join trade union. Employer should not restrict employees from forming trade union. 'Divide and Rule' policy should not be followed. Management should sort out various problems of workers by holding talks or negotiations with such unions. Management and union should agree to ban strikes and lockouts to protect interest of both the parties.

## **6) Education and Training:**

Organisation should make every possible attempt to educate employees. Guidance and methods of training depend on the nature of job. 'Introduction Training', 'Refresher Training' is conducted to keep employees updated on the latest development. Training makes employees confident and also it increases their efficiency.

## **7) Workers Participation in Management:**

The workers must be encouraged to take part in management by forming workers committee. Suggestion schemes, profit sharing can be encouraged by management. It will raise their morale and give them a sense of belonging.

## **8) Promotion and Career Opportunities.**

Business should offer adequate opportunities of promotion to their talented employees. They should give proper information about qualifications, skills and experience required to obtain promotion. It will increase awareness among employees and they will also be motivated to take efforts.

## **9) Proper Grievance Procedure:**

There should be proper grievance procedure to handle employees' complaints. All queries should be sorted quickly. The employees must feel satisfied. Investigations and necessary actions should be taken to settle their grievances.

## **10) Miscellaneous**

a. Fair treatment to all employees.

- b. To recognize, appreciate and encourage special skills of employees.
- c. To introduce code of conduct.
- d. To provide opportunity for meaningful work and to recognize goals.
- e. To protect religious, social, political rights of employees.
- f. Allowing formation of informal groups.

#### **6.2.4 Responsibilities towards Consumers:**

The consumer is the king of the market but in reality experience is different. Business cannot work without consumer. The survival and growth of business depends on consumer satisfaction, service and support. The commercial organization should win the confidence of the customers. This is possible by following positive attitude towards customers and fulfilling following social responsibilities towards them -

##### **1) Good Quality Products:**

The organization should produce quality goods. Every organization should have its quality control department so inferior and substandard products can be rejected. International Standard Organization (ISO), is the latest trend towards quality control. This ensures customers about quality product.

##### **2) Fair Prices:**

The consumers should not be cheated by charging high prices. It is not possible to fool the customer at all the time. Fair prices convert a one time consumer into permanent consumer. Maximum Retail Price (M.R.P.) inclusive of all taxes should be printed on every packet. Retailer should not charge any extra amount.

##### **3) Customer's Safety:**

The business must ensure that the product supplied will not adversely affect the life and health of the customers. Unsafe products should not be marketed. Consumer should be warned of any unsafe goods.

##### **4) Honest Advertising:**

The consumers want to know the facts, features, advantages, side-effects etc. of the products. The advertisement conveys this information. So the organization must be sure that the advertisement is not being misleading. False, misleading and vulgar advertisement should be avoided. Consumers will appreciate only honest advertisements in the long run.

##### **5) After Sales Service:**

The organization is expected to provide after sales service for maintenance of goods during the period of warranty. Efficient and effective after sale service helps to establish good relation between the consumers and the organisation.

##### **6) Research and Development:**

Organization should conduct research and development to improve the quality of goods and to reduce the cost of production. This will minimize final prices charged to consumers. It must provide quality standards such as BIS or AGMARK on respective products.

**7) Regular Supply:**

Consumers should be supplied with the goods regularly as and when required by them. The commercial organization should not create artificial shortage of goods by hoarding and black marketing.

**8) Attend Complaints:**

The consumer complaints must be attended immediately. Quick and effective grievances redressal system should be implemented. Suggestions of customers should be welcomed.

**9) Training:**

The business organisation should arrange training for their consumers either free or by charging reasonable fees.

**10) Avoid Customer Exploitation:**

Business should avoid unfair trade practices which lead to exploitation of consumers. Also they should avoid monopolistic competition in the interest of consumers.

**6.2.5 Responsibilities Towards Government:**

The government regulates and controls the business with the objectives of systematic economic development of the country and safeguarding the interests of the common man. Government provides incentives and subsidies to business. Following are the responsibilities of organization towards government.

**1) Timely Payment of Taxes:**

The government imposes various types of taxes like sales tax, income tax, wealth tax etc. Business units should pay these taxes from time to time. It would be difficult for the government to undertake development projects without availability of funds.

**2) Observing rules and regulations:**

The rules framed by the government for business should be fully complied with. The business should follow the laws regarding obtaining license for a specified business, the operation of the business, price determination and production etc. They should conduct business in lawful manner.

**3) Earning Foreign Exchange:**

The government also expects from business organization that it will earn foreign exchange by exporting goods. The government requires this foreign exchange for importing various goods, valuable and important products.

**4) Economic Development:**

The government sets the targets for balanced and rapid economic development of the country. The business organization should provide necessary cooperation to the government.

**5) Implementing Socio Economic Policies:**

The government expects cooperation and help from the business sector in implementing socio-economic programmes and policies.

**6) Suggestions to the Government:**

The business organisation can provide suggestions to the government before framing impor-

tant policies such as Industrial Policy, Import Export Policy, Licensing Policy etc. Such suggestions are helpful for framing organisation-friendly policies.

**7) No favours:**

The commercial organization should not take any favour from the government officials by bribing or influencing them.

**8) Contributing to Government Treasury:**

The Commercial organization must contribute the funds to government during the emergencies and natural calamities like floods, earthquakes etc.

**6.2.6 Responsibilities towards Community /Society/ Public in General**

Business organization has certain responsibilities towards the society at a large they are as under-

**1) Protection of environment:**

Pollution is the major problem of present times. Air pollution and water pollution are due to industries, chemical plants, cement plants etc. The business organization should take all possible measures to minimize pollution.

**2) Better and Maximum Use of Resources:**

The business organization should make proper and optimum use of scarce resources. The resources like fuel, water, land etc. must be used efficiently.

**3) Reservation for Weaker Section:**

The organisation is expected to reserve certain positions in their establishment for economically weaker sections of the society to lift up the economically weaker section of the society. These people expect financial and other help from business unit; which will be provided from time to time.

**4) Development of Backward Regions:**

The society requires that the business organization should be started in backward areas. This will create employment opportunities and increases purchasing power among the rural people. Thereby, helping backward regions to develop.

**5) Protest against Anti-Social Activities:**

Business organization should not participate in anti-social activities. It will adversely affect the society. No financial help should be provided for that. Smuggling, association with underworld people, bribing government people should be avoided.

**6) Financial Assistance:**

The society expects donations and financial assistance for various social causes such as eradication of poverty, illiteracy etc. They expect business organization to provide financial assistance to various awareness programs such as in anti-drug campaigns, antinoise pollution campaigns etc.

**7) Prevent Congestions:**

The business should avoid congestion of industries in cities by spreading industries in different

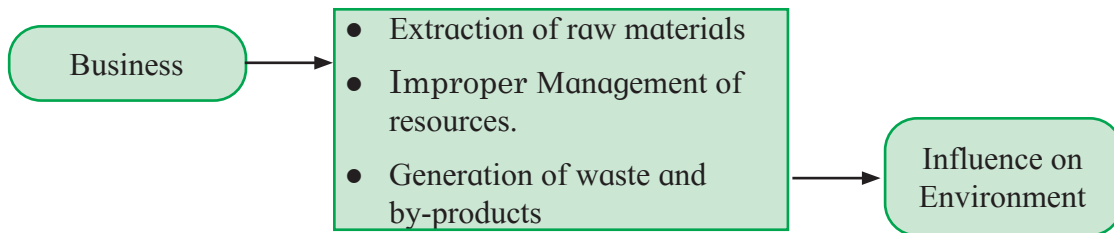
places or locations. Industries should be preferably located in industrial zones only. It will avoid adverse effect on residential areas.

### 8) **Employment Generation:**

Business should provide large employment opportunities for all sections of the society. It can be done through expansion and diversification programmes. Such effort will help to solve the problem of unemployment, poverty in the society.

## 6.3 SOCIAL RESPONSIBILITY TOWARDS PROTECTION OF ENVIRONMENT

Business should be committed to protect and promote environment. Business uses all types of resources from nature, so it is an obligation to protect the environment. It should not create imbalance in nature.



Industrialisation results in environmental pollution by generating hazardous waste and has increased the risks to environment. Environmental issues like loss of bio-diversity, release of genetically modified organisms etc. are the main issues.

### **Effect of Business on Environment**

- 1) Air Pollution
- 2) Water Pollution
- 3) Sound Pollution
- 4) Electronic Garbage

Protection of environment benefits business from many angles such as creating awareness among customers, employees, saving costs, loss govt. control etc.

A number of waste prevention techniques are available and they are commonly summarized as the so called 4 'R's. reduction, reuse, recycling and recovery.

- 1) Wherever possible waste reduction is the preferable option.
- 2) If waste is produced then every effort should be made to reuse it if practicable.
- 3) Recycling is the third option. Recycling should only be considered for waste which can not be reduced or reused.
- 4) Finally, it may be possible to recover materials or energy from waste which cannot be reduced, reused or recycled.

## 6.4 Business Ethics

**6.4.1 Concept:** The word 'Ethics' is derived from the Greek word 'Ethos' which means character. Ethics means the set of rules and principles that the organization should follow while the business

ethics refer to a code of conduct that businesses are expected to follow while doing a business. Through ethics, a standard is set for the organization to regulate their behavior. This helps them in distinguishing between the wrong and the right path of the business. Ethics deals with concepts such as right and wrong, good and bad, fair and unfair just and unjust, legal and illegal, proper and improper in respect of human actions. Ethics is a branch of social science.

**6.4.2 Definitions :** **Andrew Crane:** Business ethics is the study of business situations activity and decisions where issues of right and wrong are addressed. **Wheeler:** "Business ethics is an art or science of maintaining harmonious relationship with society, its various groups and institutions as well as recognizing the moral responsibility for right or wrong conduct of business.

### 6.4.3 Features of Business Ethics

#### 1) **Code of conduct:**

Business ethics is a code of conduct. It tells what to do and what not to for the welfare of the society. All businessmen must follow this code of conduct.

#### 2) **Based on moral and social values:**

It contains moral and social principles (rules) for doing business. This includes self control, consumer protection and welfare, service to society, fair treatment to social group, not to exploit others etc.

#### 3) **Gives protection to social groups:**

Business ethics give protection to different social groups such as consumers, employee, small businessmen, government, shareholders, creditors etc.

#### 4) **Provides basic framework:**

It gives the social, cultural, economic, legal and other limits of business. Business must be conducted within these limits.

#### 5) **Voluntary:**

The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

#### 6) **Requires education and guidance:**

Businessmen must be given proper education and guidance before introducing business ethics. The businessman must be motivated to implement business ethics.

#### 7) **Relative term:**

Business ethics change from business to business. It also changes from one country to another. What is considered as good in one country may be banned in another country.

#### 8) **New concept:**

Business ethics is a newer concept. It is strictly followed only in developed countries and not in poor and developing countries.

### 6.4.4 Moral and social values:

Our values are important because they help us to grow and develop. The decisions we make are reflection of our values and beliefs and they are always directed towards a specific purpose.

Social values form an important part of the culture of the society. They provide general guidelines for social conduct. Values such as fundamental rights, patriotism, respect for human

dignity, rationality, sacrifice, equality, democracy etc. influence our behavior in many ways.

Moral values are based on perceptions of right and wrong whereas social values may also include ideas about things being socially acceptable. Social values are often based on tradition, ego, honesty, integrity, fairness, hard work, cooperation, forgiveness, never hurt anyone etc.

There should be ethics behind all business activities. The rules are created by the society regarding what type of activities business should do and what it should not do. They are known as business ethics. Honesty, transparency, fairness, integrity etc. create goodwill. It gives economical gain in the long run.

The code of business ethics

**Do's:**

- 1) Pay taxes and other charges regularly.
- 2) Pay fair wages, allowances and other monetary incentives to workers.
- 3) Ensure safety and security of product.
- 4) Supply quality goods as per expectations of consumers at reasonable prices.
- 5) Give due respect and honour basic rights of consumers.
- 6) Use a part of profit for the society.

**Don'ts:**

- 1) Do not destroy healthy competition.
- 2) Do not cheat or exploit customers.
- 3) Do not create monopoly.
- 4) Do not resort to hoardings or black marketing.
- 5) Do not create secret or unreasonable profit.

**Avoid:**

- 1) Unfair competition.
- 2) Concentration of economic power.
- 3) Agreement with fellow businessmen for controlling production, distribution, pricing etc.

**Accept:**

- 1) Principle of "service first and profit next".
- 2) Truth in business that "customer is the king".
- 3) Make your business just, fair, human, efficient and dynamic.

## 6.5 CORPORATE SOCIAL RESPONSIBILITY

**Introduction:**

Corporate Social Responsibility is not a new concept in India, however, the Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 and other notifications related thereto which makes it mandatory from 15 April, 2014 for certain companies

who fulfill the criteria as mentioned under Section 135 to comply with the provisions relevant to CSR.

### **Meaning:**

Corporate Social Responsibility (CSR) is self-regulating business model, aims to contribute to societal goals or support volunteering or ethically-oriented practices. It makes a company socially responsible and accountable. This accountability is towards itself, its stakeholders, public in general etc. By practicing social responsibility, companies can be conscious about economic, social and environmental aspects of the society.

### **Definitions:**

- 1) According to UNIDO (United Nations Industrial Development Organization), "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders". {Source:unido.org.}
- 2) According to ISO (International Organization for Standardization), " The responsibility of an organization for the impacts of its decisions and activities on society and the environment, resulting in ethical behavior and transparency which contributes to sustainable development, including the health and well-being of society, takes into account the expectations of stakeholders, complies with current laws and is consistent with international standards of behavior, and is integrated throughout the organization and implemented in its relations."

### **Scope of CSR:**

#### **A) Applicability of CSR:**

- 1) The companies having Net worth of 500 Cr. or more or Turnover of 1000 Cr. or more; or Net Profit of 5 Cr. or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board with effect from 1st April, 2014.
- 2) The Board's report shall disclose the compositions of the CSR Committee.
- 3) All companies shall spend, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
- 4) The companies shall be required to incorporate in its Board's report, an annual report on CSR containing the following particulars:
  - I. A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
  - II. The composition of the CSR Committee;
  - III. Average net profit of the company for last three financial years;
  - IV. Prescribed CSR Expenditure;
  - V. Details of money spent on CSR during the financial year;
  - VI. In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof;

## **B) CSR Committee:**

The CSR Committee will consist of four Directors, who shall meet at least twice in a year to discuss and review the CSR activities and policy. The CSR committee will recommend a formal CSR Policy and will recommend particular CSR activities, prepares a budget, describe how the company will implement the project, and establish a transparent means to monitor progress.

## **C) CSR Activities:**

The Policy recognizes that corporate social responsibility is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- i) Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water.
- ii) Promoting education, including special education & employment enhancing vocation skills especially among children, women, elderly & the differently abled & livelihood enhancement projects.
- iii) Reducing child mortality and improving maternal health by providing good hospital facilities and low cost medicines.
- iv) Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water.
- v) Employment enhancing vocational skills.
- vi) Measures for the benefit of armed forces veterans, war widows & their dependents.
- vii) Training to promote rural sports, nationally recognized sports.
- viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development & relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women.
- ix) Rural development projects, etc
- x) Slum area development.

## **D) Allocation of Funds:**

- 1) The Company would spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be a part of business profits of the Company.
- 2) The Company may build CSR capacities of its personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years.

## **E) Non-compliance of CSR activities:**

There is no specific penal provision for non-compliance under section 135 of the Act. However, non-disclosure or absence of the details about the CSR policy and its implementation in the Boards' report would attract penalties. Penalties for non-complying the duty of CSR would attract a fine of not less than R50,000 which may extend to R 25,00,000 and every officer of

the company in default shall be punishable with imprisonment for a term which may extend to 3 years; or with fine which shall not be less than R 50,000 which may extend to R 5,00,000 or with both.

## Summary

Business organisation is run by profit motive but profit maximisation should not be the sole aim. The responsibility of business towards the society is called social responsibility .

### Need for social responsibility

1. Concept of trusteeship
2. Changing expectation of society
3. Reputation
4. Protection of environment
5. Optimum utilisation of resources
6. Pressure of trade union
7. Growth of consumer movement
8. Government control
9. Long term self interest
10. Complexities of social problems
11. Globalisation
12. Role of media

### Social Responsibility towards Different Interest Groups

Towards Owners	Towards Investors	Towards Employees
Towards consumers	Towards Government	Towards Society

### Business Ethics:

Ethics is a branch of social science. Business ethics refers to a code of conduct that businesses are expected to follow while doing a business.

### Social and Moral values:

Social values such as fundamental rights patriotism, respect for human dignity, rationality sacrifice, equality democracy etc. guide our behaviour in many ways.

Moral values such as honesty, integrity, fairness, hard work, cooperation, etc. are equally important.

### Corporate social responsibility.

Meaning, Definition, Scope of CSR activities.

## EXERCISE

### Q1. (A) Select the correct option and rewrite the sentence.

1. Business is a ..... activity  
a) Socio-economic    b) Service    c) Charitable
2. Business organisation should try to make ..... utilisation of natural resources.  
a) Minimum    b) Maximum    c) Optimum
3. For economic growth and national security ..... stability is required.  
a) Political    b) Social    c) Economic
4. Making timely payment of proper taxes is the responsibility of organisation towards .....  
a) Shareholders    b) Customers    c) Government
5. Businessmen are ..... of the society.  
a) Representatives    b) leaders    c) Trustees
6. Business should provide periodic information to .....  
a) Customers    b) Owners    c) Employees
7. Business should offer adequate opportunities of promotion to their .....  
a) Employees    b) Customers    c) Investors
8. The term 'Ethics' is derived from the ..... word 'Ethos' which means character.  
a) Latin    b) French    c) Greek
9. Business ethics refers to the ..... system of principles.  
a) Economic    b) Social    c) Moral
10. Business organisation should protect health and provide safety measures to .....  
a) employees    b) owners    c) investors
11. At least ..... % of the average net profit should be spent on C.S.R.  
a) 5%    b) 2%    c) 3%.

### (B) Match the pairs.

	Group 'A'		Group 'B'
A)	Employees	1)	Good quality product
B)	Responsibility to investors	2)	To maintain solvency and prestige
C)	Responsibility towards government	3)	To serve society
D)	Economic objective	4)	Voluntary
E)	Business ethics	5)	Job security
		6)	Compulsory
		7)	Respecting rules and regulations

		8)	To earn profit
		9)	Branch of social Science
		10)	Protection and environment

**(C) Give one word / phrase/ term for the following sentence.**

- 1) Name the philosophy related to social responsibility propounded by Mahatma Gandhi.
- 2) Duties, obligations of business directed towards welfare of society.
- 3) Getting good quality products is the basic right of this group of society.
- 4) Providing fair returns on investment is the responsibility of organisation towards this group.
- 5) Rules of standard dealing with morality in business environment.
- 6) An activity motivated by profit.
- 7) Earning foreign exchange is the responsibility of the organisation towards this group.
- 8) Employment generation is the responsibility of the organisation towards this group.

**(D) State whether following statements are true or false.**

- 1) Businessmen are trustees of the society.
- 2) Business ethics is a code of conduct.
- 3) The commercial organisation are expected to uplift the weaker section of the society.
- 4) It is the responsibility of commercial organisation to maintain industrial peace.
- 5) Owners should not get complete and accurate information about the financial position.
- 6) Media does not play important role in public life.
- 7) Social responsibility is broader than legal responsibility of business.

**(E) Find the odd one.**

- 1) Job security, health and safety measures, good working condition, reasonable profit.
- 2) Good quality products, fair prices, honest advertising, prevent congestion in cities.
- 3) Timely payment of taxes, earning foreign exchange, creating goodwill, political stability.
- 4) Protection of environment, maintain transparency, employment generation, development of backward region.
- 5) Proper conduct of meeting, careful use of capital, fair prices of products. maintain solvency and prestige.

**F) Complete the sentences.**

- 1) Business organisation can maximise profitability by ..... wastage.
- 2) Social responsibility is broader than ..... responsibility.
- 3) The concept of trusteeship was propounded by ..... .
- 4) Business should earn ..... profit.
- 5) ..... should be fixed according to the nature and importance of work.
- 6) The word 'Ethics' is derived from the Greek word ' ..... .

**(G) Select the correct option.**

(Responsibilities towards shareholders, responsibilities towards consumers, Responsibilities towards government, Responsibilities towards society)

	Group A	Group B
1)	After sales service	.....
2)	Timely payment of proper taxes	.....
3)	.....	Protest Anti Social activities
4).	.....	Fair practices on stock Exchange

**(H) Answer in one sentence.**

- 1) Who can raise voice against business malpractices ?
- 2) What should be done by management to keep workers updated?
- 3) What type of advertising should be avoided?
- 4) What organisation should do to improve quality of goods and to reduce cost of production ?

**(I) Correct the underlined word and rewrite the sentence.**

- 1) Social responsibility is narrower term than legal responsibility of business.
- 2) All sorts of fair practices related to stock exchange should be avoided.
- 3) Management and union should agree strikes and lockouts to protect the interest of both the parties.
- 4) MRP (Maximum Retail Price) should not be printed on every packet.
- 5) Dishonest advertising can be appreciated by customers in the longrun.
- 6) Financial help should be provided by business organisation for anti social activities.
- 7) Business ethics is a compulsary term.
- 8) Business ethics is not a relative term.
- 9) Social values are based on perceptions of right or wrong.
- 10) Moral values provide general guidelines for social conduct.

**Q.2 Explain the following terms/ concepts.**

- 1) Social responsibility 2) Concept of Trusteeship 3) Business ethics
- 4) Moral Values 5) Social values

**Q.3 Study the following case / situation and express your opinion.**

- 1) Yashwant Co. Ltd. is providing facilities for their female staff like day care centre for kids and work from home facility. Even management takes their suggestions while taking the decisions though they are members of trade union
  - i) By doing this they are following social responsibilities towards which interest groups?
  - ii) What values are they presenting?
  - iii) What kind of responsibilities employer follows in above case?

- 2) An organisation manufacturing paints has been enjoying a prominent market position since many years. It has been dumping its untreated poisonous waste on the river bank, which has created many health problems for the nearby villages.
  - i) Which responsibility is neglected by manufacturing organisation?
  - ii) What kind of pollution they are doing?
  - iii) State any one precautionary measure they need to take?
- 3) A vehicle manufacturing company has adopted the following practices.
  - A) Only those components will be used by the company which are environment friendly.
  - B) There will be discharge of harmful wastes only after their proper treatment.
  - C) Pollution level of every vehicle will be maintained as per international standards.
    - i) by doing this, business organisation follows social responsibility towards which interest group?
    - ii) What kind of pollution do they want to avoid?
    - iii) What kind of message do they want to convey?

**Q.4. Answer in brief.**

- 1) Give any four types of social responsibilities towards consumers.
- 2) What is business ethics? What are features of business ethics?
- 3) State responsibilities of business towards government.
- 4) State any four CSR activities.

**Q.5. Justify the following statements.**

- 1) Role of media has major influence on business organisation.
- 2) Business should allow workers participation in management.
- 3) Expectations of society towards business are changing.
- 4) Business organisations should avoid environmental pollution and ecological imbalance.
- 5) All sorts of unfair practices related to stock exchange should be avoided.
- 6) Business ethics contains moral and social values for doing business.
- 7) Business ethics can be considered as a tool for social development.

**Q.6. Attempt the following.**

- 1) What is social responsibility of commercial organisation towards consumers?
- 2) State different types of responsibilities towards society.
- 3) Describe the responsibilities of commercial organisation towards investors.
- 4) Describe the features of business ethics.
- 5) What is corporate social responsibility ?

**Q.7. Answer the following.**

- 1) Explain the responsibilities of business towards employees.
- 2) Define concept of social responsibility and what is the need for social responsibility.
- 3) Explain the responsibilities of a business unit towards society at a large.
- 4) What are the responsibilities of business towards investors and government.?

**Answer Key**

- Q.1.(A) 1) Socio-economic 2) Optimum 3) Political 4) Government 5) Trustees 6) Owners  
7) employees 8) Greek 9) Moral 10) Employees 11) 2%
- (B) A-5, B-2, C-7, D-8, E-9
- (C) 1. Trusteeship 2. Social responsibility 3. Consumers 4. Investors 5. Business ethics  
6. Business 7. Government 8. Society
- (D) True-1,2,3,4,7 False- 5,6
- (E) 1. Reasonable profit 2. Prevent congection in cities 3. Creating goodwill 4. Maintain  
transparency 5. Fair prices of products
- (F) 1.Minimising 2. Legal 3. Mahatma Gandhi 4. Reasonable 5. Remuneration 6. Ethos
- (G) 1. consumers 2. Government 3. Society 4. shareholders
- (I) 1. Broader 2. Unfair 3. Ban 4. Should 5. Honest 6. Should not be 7. Voluntary  
8. Relative 9. Moral values 10. Social values

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