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Introduction

Business is an economic activity, which is done with an aim to earn profit. However, we can observe many business units to perform their works in several activities. Certain activities performed by a business unit cannot earn profit directly. Though some activities are performed by business units. For example, public garden has been developed and/or maintained by the some business groups. While, some business units provides through researches to improve the quality of their products. Business units provides transportation facilities, education facilities and healthcare facilities to the children of their employees. Moreover, some business units perform activities such as to provide free or low-cost medical treatment and medicines to poor patients. While some business units awards by providing financial assistance in national and international sports or cultural competitions. These are all social concept behind all these activities of a business unit.

11.1 Social Responsibility Concept of Business

Business is an integral part of the society. Any social activities can not be separated from society. Various categories of society are contributing to develop business. A business earns income and that income also comes from various classes of the society. Therefore, it is a responsibility of any business unit to contribute certain part of their income for social services. Every business unit have to decide themselves, to give this benefit to society or not and if yes then, up to what extent. Thus, social responsibility is an moral responsibility of a business.

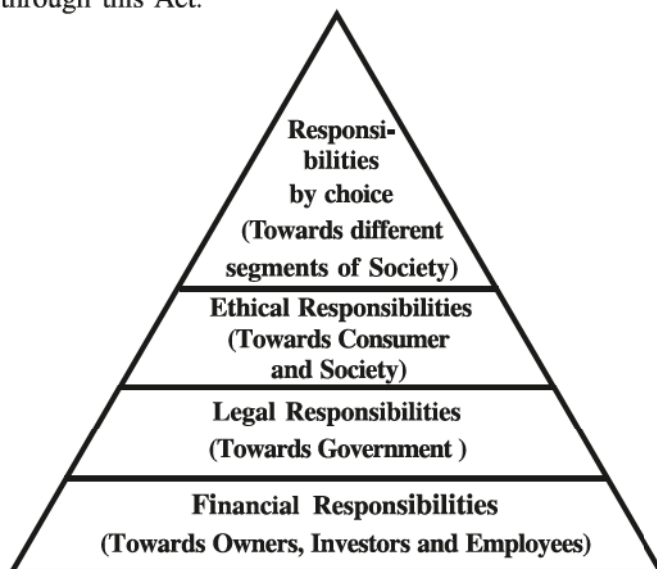
The concept of social responsibility of company was presented at first time by Mr H. R. Boven in 1963 at USA in his reaserch paper. The concept of social responsibility of company has become talk of town since then. As defined by, World Business Council "For Sustainable Development, development of a company, improvement in standard of living, of employees & their families, the ethical commitment towards local communities and ethical responsibility of company towards society means social responsibility.

In wider sense, the policies made in favour of all the social responsibilities towards concerned stakeholders of a company, is a compilation of programmes and projects, which force the company

to take decision as a part of the responsibility towards these stakeholders. Generally, social responsibility is an ethical and optional idea; but as per new companies act 2013 it has been made mandatory. Therefore, now the social responsibility can be considered as mandatory for the units like a company.

As per article 135 of The Companies Act-2013, from 1st April 2014, the companies having yearly turnover more than ₹ 1000 crore or having a net value more than ₹ 500 crore or having more than ₹ 5 crore as profit for any financial year, will be mandatorily applicable the provisions of a social responsibility. Such companies would have to spend at-least 2% of average profit of previous 3 financial years as Expenditure for the activities of social responsibility or have to present a report showing reasons for not incurring such expenditures.

Thus, as per new Companies Act, the companies adhered to provision of minimum social responsibility, it is mandatory to form a social responsibility committee which includes social responsible three members from board of directors. The Ministry of Law has emphasized on companies to become socially responsible through this Act.



11 1 1 Definition of Social Responsibility :

At the time of establishment and development of a business unit, the services and contribution provided by the various segments of society and organizations, the duties which occurs to obligate them as a responsibility towards the society, calls the social responsibility of a business.

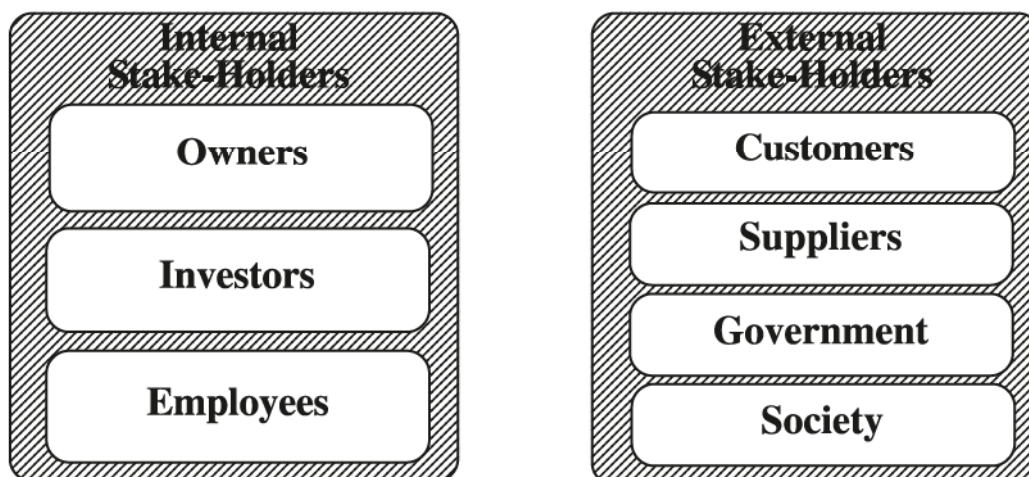
Mainly the social responsibility of a business can be divided in four levels :

- (1) Financial responsibilities
- (2) Legal responsibilities
- (3) Ethical responsibilities
- (4) Responsibilities by choice.

11 2 Social Responsibilities Towards Various Stake-Holders.

Generally, a business unit is an independent unit. It earns progress through doing financial activities. Any business unit cannot earn progress without having contribution from various categories of society. Different interest of various categories of the society, groups or institutions have been associated with a business unit. Each of them recognize as stake-holder group.

The stake-holding groups which are associated with a business unit can be divided in two categories :



Internal Stake-Holders : The interest groups which are associated directly with the management of a business unit and which is a part of the unit are called an internal stake-holders.

External Stake-Holders : The interest groups which are indirectly associated with the management of a business unit are called an external stake-holders.

11 2 1 Social Responsibility of Business Towards the Owners : After second world-war the era of industrial development in India was initiated, along with the incredible changes happened in size and type of business or industries, as a result of it the need of capital was increased, as to fulfill the needs by sole proprietor or partnership was not possible so form of company was established. Existence of two different entities in this form such as actual owners means share-holders and the management came in existence. Due to this reason the social responsibility of the company towards the actual owners arises which is as follows :

(1) Participation in Decision Making Process : Share-holder are the owners of the company; therefore it is necessary to have confidence in them while taking any decisions regarding policy. It is a social responsibility of a company to make them participate in decision making process.

(2) Capital Security and Growth : It is the social responsibility towards the owners of the company by put their personal interest aside. The management have to use their skills for the security of share-holder's capital and to increase its value.

(3) Protecting Interests of the Owners : The owners interest always found in safety of capital, increase the value and in growth of the company. It is the social responsibility of the management to protect long-term interest of the company.

(4) Priority for Development : When the development plan being put in to practice, there should be priority of getting more capital from the actual owners and to offer them right shares is a social responsibility.

11 2 2 Social Responsibility of Business Towards the Investors : As the size of the unit increase, simultaneously requirement of capital increases. Capital provided by the investors in different forms like loan, preference share or debenture. The social responsibilities of a unit towards investors are as under :

(1) Timely Payments of Returns : The investors have invested their money with an expectation of high, regular and reasonable returns. It is the social responsibility of a unit to pay regular returns.

(2) Providing Necessary Information : Providing information regarding current status and future plans of the unit to the investors.

(3) Growth in Investment Value : The market value of the investment is determined as per the financial result of the unit. The financial decisions of a unit must be taken with the intention to increase the investment value of the investors.

(4) Security of Money : Investors have invested their money entrusting efficiency of the management of the unit. It is the social responsibility to make proper use and to provide security of their money. So in future while the financial requirement arises unit can easily procure the money from them.

(5) Suggestions are Welcomed : Generally the investors are aware with market trends, thus their suggestions should be welcomed.

11 2 3 Social Responsibility of Business Towards Employees : Employees are required to perform in any unit. It is not prone to exaggerate by saying this the unit cannot achieve its' goal without efficient employees. Therefore it is the prime social responsibility of a unit to maintain and take care of its' employees.

(1) To Maintain the Standard of Living : Remuneration is the main purpose of an employee to perform their tasks. If the remuneration is improper, dissatisfaction arises among the employees. It is the responsibility of a company to see that the employees are getting their remuneration in time too. Thus, the unit doesn't have to exploit their employees and have to provide their reasonable remuneration in time.

(2) To Provide Proper Atmosphere and Facilities for Work : To keep the business unit efficient the favorable atmosphere play an important role. It is the social responsibility of a unit to look forward for positive atmosphere in a unit and appropriate growth of employee relationship. A unit can provide this atmosphere by various facilities. E.g. Providing canteen, transportation and cleanliness and proper ventilation facilities in the unit. If possible, air-condition facility and separate arrangements for ladies employees should be provided.

(3) To Provide Social Security : In addition to timely reasonable salary, employees have to provide facilities such as provident fund, pension, sick leaves, insurance protection of life - healthcare and group insurance schemes etc.

(4) Give Recognition to Employee Union : Employees forms employee union to present their demands in organized way to the management. They must get the recognition from the management. The employee union represents the employees of the unit. By accepting their reasonable demands, a unit can enhance employees enthusiasm.

(5) Compromising Attitude of the Higher Management : Employees are treated as an asset of a unit. Any unit has to accept that they are efficient in their work. At other side, employees should represent their grievances in person or through their union. By timely considering these presentations and keeping compromising attitude and interest of a unit, employees must be treated like family members. which create family atmosphere.

(6) Motivation : You can buy hours of your employees, but have to win their abilities. Any unit cannot survive without constant encouragement of employee's enthusiasm. Therefore, to motivate the enthusiasm of employees, unit have to give increment, promotion, rewards etc. Through it, employee's morale get boosted. e.g. owner of the company encourage the employees by going on tour with the employees and their families, employees awarded for their advanced researches or new work-techniques etc.

(7) Other Responsibilities : Employee's participation in decision of a unit, arrangement to get informed the employees about the decisions and important information, conditions of their tasks to be decided before appointment. Units have to manage the responsibilities such as look after the arrangement of education of the employee's children and to arrange the planning their timings for the same family of employees.

11 2 4 Social Responsibility of Business Towards Customers : The existence of any business unit is difficult to imagine without customers. The customer is the center of the existence in any business unit, that's why **a customer is called the king of market.**

(1) Selling of Proper Product or Services : It is considered as social responsibilities towards consumers while maintaining proper quality of product or service. It is a duty of any business unit to provide their products in appropriate packing, weight, without adulteration to satisfy the needs of consumers.

(2) Reasonable Price : Any business unit providing services or products have to keep their price reasonable which gives a customer proper satisfaction and proper return to the producer. In today's competitive era, a unit requires a reasonable profit in order to survive, but along with as a part of social responsibility the units have to charge reasonable price to the consumers rather than recovering more prices.

(3) Maintaining Continuity of Supply in the Market : Some times artificial scarcity has been created to recover more price from the consumers. It is responsibility of a business unit that not to create any scarcity by maintaining continues supply of a product in the market.

(4) Not to use Misleading Advertisements : Some business units are advertising for the benefits of their products or services in a exaggerated manner, in reality which is mostly misleading. Some customers inspire to purchase product or service due to, attraction of these advertisements. After purchasing they feel as cheated due to not getting their desired benefits from the product or services as shown in the advertisement. Therefore, such misleading advertisements should not be given.

(5) After Sales Services : After selling a product or service to the customer the responsibility of a business unit does not complete, infact it is the begining of a responsibility. For grievances redressal of a customer regarding product or services availability of nearer service center and if the customer doesn't like the product then freedom to returning back, it is the customer's legal right and social responsibility of the unit. If unit voluntarily accepts it, the social status of the unit increase. Otherwise if it is forced by the present legislation, then the social and business status of the unit diminish.

11 2 5 Social Responsibility of Business Towards the Suppliers : Success of any business unit depends upon continuous supply of better quality of goods. This supply may be of physical materials or of services as well. The external factor which performs an important role in success of unit is a supplier and the responsibility of a unit towards supplier is:

(1) Information in Advance About the Supply : Except emergency reasons suppliers should be informed in advance about requirement of good as per demands so that continuous supply become possible. As a result, the continuity of production may maintain and the business status may increase as well.

(2) Clarity of Quality and Skills : The unit have to be clear in advance about their quality needs to the supplier of raw material and services. Thus the continuity of supply may maintain.

(3) Timely Payments : The payments to the supplier of raw materials and the labours should be fulfill as per determind terms and conditions.

11 2 6 Social Responsibility of Business Towards the Government : A business unit have to operate its economic activities as per law defined by the Government.

(1) Abide by the Laws : It is the responsibility of the business to abide the laws laid by the Government.

(2) Payment of Taxes Honestly : The business unit has to pay all the taxes honestly intime laid by the Government.

(3) Participation in the Execution of Government Programmes : Various programmes have been arranged by the Government for the progress and development of the nation time to time. A unit time should have to be involved in such public-participation programmes which should reach the people. e.g. Clean India Campaign has been launched by the Government. After this some units have participated in cleanliness programmes.

(4) To Participate in the Implementation of the Industrial Policy : The Government frames Industrial Policy by considering the needs of the nation. It is the social responsibility of a unit to participate in the implementation of this policy.

11 2 7 Social Responsibility of a Business Towards the Society : The Management expert Mr. Peter F. Drucker said that, "The management of any business unit should be done in such a way which brings the balance of intrest between the unit and various sections of the society." The business management, has to maintain the economic and social interest of the society.

(1) Preservation of the Environment : The unit has to choose such production process which creates least pollution and maintain the environment.

(2) Contribution to National Development Programmes : Development of the nation is the combined result of personality development and progress of a unit. A unit have to contribute in dvelopment of a nation through optimum utilisation of financial resources.

(3) Give Importance to the Research Programmes : Industrial research contributes to the development of the nation. Business units of developed countries are using some share of their profit in researches and try to keep their unit at prime position in international competition. Thus the unit have to give importance to the researches and have to produce goods or services as per the needs of the society.

(4) Helpful During an Emergency : In the situations such as natural calamities the units have to perform social responsibility by being helpful to government and semi-government organisations.

(5) Conservation of Social and Cultural Heritage : The units have to oversee about conservation of social and cultural legacy of the nation through their products or services. Have to use such broadcasting mediums and ideas through which the cultural value does not hinders. E.g. Depiction of obscenity or apartheid concept should not be involved in advertisement.

(6) Participation in Social Encouragement : Social development is not possible without the equality in any society. Social equality is achieved through procurement of proper opportunity in each community. The business units have to be helpful in development by providing proper opportunities to the weaker section of the society.

(7) Creating Employment Opportunities : By achieving progress a unit should create employment opportunities. National Growth Ratio or National Equality can be achieved through employment opportunities.

(8) Maintain Human Rights : It become a part of a social responsibility for the unit to maintain natural and constitutional human rights.

11 3 Business Unit and Preservation Enviroment

When the world is facing very difficult problem of Global Warming and actions have been taken for its resistance, the business unit must have to participate in it. It become a social responsibility for a unit to abide by the environmental standards enacted by the Government. As a part of social responsibility a business unit has to make its business with consideration of four different sectors of environmental preservation :

(1) Land and Forest Preservation : There is a need of land establishment of a unit. If it was possible to cut down trees as a requirement for this land, then it become a social responsibility to grow new trees by plantation in that ratio. Along with it is a responsibility of a unit to look after not to affect productivity of surrounding fertile land by unit's disposal of waste and chemicals. Otherwise the society does not hesitate to taking final action such as social exclusion of the unit.

(2) Preservation of Water Resources : Arrangement of the disposal of polluted liquid and solid waste during production process of a unit should be done, thus the unit has to look after that external and underground water resources does not be polluted.

(3) Preservation of Air and other Gases : A unit must have to make arrangement such as not to increase in air pollution to manage the disposal of solid, liquid and air waste during its production process. In past due to leakage of toxic gas in many units resulted in loss of life and physical deformaty among children. It is a part of the social responsibility for a unit for the preservation of general health of the society.

(4) Preventing Noise Pollution : Layout of machineries in production process and construction of a factory should such that it reduces the noise pollution.

11 4 Business Ethics :

Set of accepted principles and standrads for behavior and character is business ethics. Discussion and implementation of such principles and standrads happens in business ethics which decides and implements what is right and what is wrong in human relation. e.g. fraud, bribe etc.

The main difference between principles of ethics rules and legal regulations is that ethic principles cannot be implemented by the authority, while it is possible in legal regulations. If business units properly adopts the ethical principles in the society and also expect from each business units that they perform their activities with ethical values.

Mostly violation of business ethics occur when a businessman hopes for speedy and more profit; but

as per the common observation the units that are able to maintain ethical standards, its existence survive for long period and can achieve good economic growth as well.

11 4 1 Elements of Business Ethics : Ethical behaviour is good for both the business and the society. If a unit have element of values and ethics in its day to day transactions then only the right atmosphere can be set-up in the unit.

(1) Commitment of Top Level Management : Role of top level management remains crucial in the success of ethical behaviour and the top level officers of the unit always need to be committed to achieve its result. To be bound with the values they have to inspire behaviour of the entire unit by their leadership.

(2) Publishing Directional Rules : For providing ethical behavioral direction to the employees of the unit the higher management should have to publish guidelines in written form, so that the employees can get inspiration and direction in different situations.

(3) Structural Formation : The decision taken by the unit obeys the ethical principles of the unit to ensure the same appropriate infrastructure should be created for its implementation.

(4) Participation in Decisions : Employees participation in decision making makes the ethical values successful.

(5) Evaluation of Results : Usually an ethics are the matter of qualitative concept becomes concept of ethical standard, Which can be learn by the feedback from different categories associated with the unit.

What did you learn in this chapter

Company Oriented Social Responsibility : An ethical commitment of a company regarding economical progress of the company, for improvisation of the quality of standards of living of employees and their families, for local communities and the society means the company oriented social responsibility.

Definition of Social Responsibility : The services and contribution which have given by the different factors and the organizations of the society in establishment and development of any business unit is called as social responsibility of a business.

Social Responsibility Towards Business Stake-Holding Groups :

Social Responsibility of Business Towards the Owners : (1) Participation in decision making process (2) Capital security and growth (3) Protecting interest of the owners (4) Priority in development.

Social Responsibility of Business Towards the Investors : (1) Timely payment of returns (2) Providing necessary information to investor (3) Growth in investment value (4) Security of money (5) Suggestions are welcome.

Social Responsibility of Business Towards Employees : (1) Maintain the living standard (2) To provide proper atmosphere and facilities for work (3) To provide social security (4) Give recognition to trade union (5) Compromising attitude of the top level management (6) Motivation (7) Other responsibilities.

Social Responsibility of Business Towards Consumers : (1) Selling of proper product or services (2) Reasonable price (3) Maintaining continuity of supply in the market (4) Not to issue misleading advertisements (5) After sales services.

Social Responsibility of Business Towards the Suppliers : (1) Information in advance about the supply, (2) Clarity of quality and skills, (3) Timely payments.

Social Responsibility of Business Towards the Government : (1) Abide by the laws (2) Paying taxes honestly (3) Participation in Government programmes (4) To participate in the implementation of the Industrial Policy.

Social Responsibility of Business Towards the Society : (1) Preservation of environment (2) Contribution towards National Development programmes (3) Give importance to the research programme (4) Helpful during emergency (5) Conservation of social and cultural legacy (6) Participation in social encouragement (7) Creating employment opportunities (8) Maintain Human Rights.

Business Unit and Protection of Environment : As a part of social responsibility a business unit has to make its business with consideration of four different sector of environmental preservation

(1) Land and Forest preservsation (2) Preservation of water resources (3) Preservation of air and other gases (4) Preventing noise pollution.

Business Ethics : Business ethics is a set of accepted principles and standrads for behavior and character.

Elements of Business Ethics : Ethical behaviour is good thing for both the business and the society. If a unit have element of values and ethics in its daily transactions then only the right atmosphere can be set-up in the unit. Some elements of business ethics are as under :

(1) Commitment of top level management (2) Publishing directional rules (3) Infrastructural formation, (4) Participation in decisions (5) Evaluation of result.

EXERCISE

1. Select the correct alternatives and write answer to the follwing questions :

- (1) As per the provision of company's Act-2013 it is becoming mandatory to perform social responsibility for given company.
 - (a) The company which have yearly turnover worth ₹ 5 crore.
 - (b) The company which have yearly turnover worth ₹ 50 crore.
 - (c) The company which have yearly turnover worth ₹ 500 crore.
 - (d) The company which have yearly turnover worth ₹ 1000 crore.
- (2) As per the provision of company's Act-2013 it is becoming mandatory to make expenditure for a company as a part of its social responsibility.
 - (a) Minimum 2% of its average yearly profit
 - (b) Minimum 5 % of its average yearly profit
 - (c) Maximum 2% of its average yearly profit
 - (d) Maximum 5 % of its average yearly profit
- (3) Select a stake-holding group which includes in external stake-holding group in a company.
 - (a) Employee
 - (b) Investor
 - (c) Owner
 - (d) Customer
- (4) Social responsibility of a business means,
 - (a) Responsibility of the society towards a business
 - (b) Responsibility of the consumer towards in society
 - (c) Responsibility of a business towards the society
 - (d) Responsibility of the society towards a consumer
- (5) Towards how many stake-holding groups the social responsibility of a business is there ?
 - (a) Five
 - (b) Six
 - (c) Seven
 - (d) Eight
- (6) Who is a king of the market in regard to the social responsibility ?
 - (a) Investor
 - (b) Consumer
 - (c) Owner
 - (d) Employee
- (7) Obscene or discrimination is not to be shown in advertisement as it is a
 - (a) Political responsibility
 - (b) Religious responsibility
 - (c) Financial responsibility
 - (d) Social responsibility
- (8) How implementation of business ethics, is done ?
 - (a) As per Company's Act
 - (b) As per Partnership Act
 - (c) Voluntarily
 - (d) As per Co-operative Society's Act
- (9) The scripture which interprets ethical behavior of human means
 - (a) Sociology
 - (b) Psychology
 - (c) Political Science
 - (d) Ethics

(10) According to the Company's Act-2013, as per which section the concept of social responsibility made as mandatory ?

- (a) 135 (b) 143 (c) 153 (d) 137

Answer : (1) (d) (2) (a) (3) (d) (4) (c) (5) (c) (6) (b) (7) (d) (8) (c) (9) (d) (10) (a)

2. Answer the following questions in one sentence each :

- (1) Give the meaning of social responsibility.
- (2) Producing zero pollution in atmosphere called what type of responsibility ?
- (3) What is a reasonable price ?
- (4) Give the meaning of ethics.
- (5) To preserve atmosphere called which type of responsibility ?

3. Answer the following question in brief :

- (1) 'Timely and appropriate wages becomes social responsibility of a unit' - describe.
- (2) 'Protecting the interest of consumer increase reputation of a unit' - Explain
- (3) Which elements are included in business ethics ?

4. Answer the following questions in brief :

- (1) Explain in details : In which sector a business unit should have to serve regarding environment ?
- (2) "A business unit can increase its goodwill by performing social responsibilities." - Explain.
- (3) "Social responsibility towards employees eliminates displeasure from the unit." How ?
- (4) Implementation of business ethics is not possible by law.
- (5) Explain the difference between Ethics and law.

5. Answer the following questions in detail :

- (1) Describe social responsibility of a business towards owner.
- (2) Describe social responsibility of a business towards society.
- (3) Explain the Internal social Responsibilities of a business in detail.
- (4) Describe the External Social responsibility of a business in detail.

Full Form of Abbreviation

USA : United States of America

WBCSD : World Business Council for Sustainable Development

