

BUSINESS STUDIES

Chapter 6: SOCIAL RESPONSIBILITIES OF BUSINESS AND BUSINESS ETHICS



SOCIAL RESPONSIBILITIES OF BUSINESS AND BUSINESS ETHICS

Concept Of Social, Responsibility:

A business is a part of society. So, a business enterprise should do business and earn money in ways that fulfill the aspirations of the society. Thus social responsibility relates to the voluntary efforts on the part of the businessmen to contribute to the social well being. The businessmen make use of resources of society and earn money from the members of society so they must do something for the society.

❖ Need for Social Responsibility:

- **Improving Company's Brand Image:** Being socially responsible is of utmost importance to build company's image and brand. By portraying a positive image, a firm can build a name for itself for not only being financially profitable, but socially responsible as well.
- **Engaging Customers:** A company's social responsibility policy may impact customers' purchasing decisions. Some buyers may pay a greater price for a product if they know a portion of the profit will be donated to a worthwhile cause.
- **Retaining Top Talent:** Many employees desire to be a part of something bigger than themselves. Employees with a sense of social responsibility can use the tools available to them at work to help others.
- **Helping Company Stand Out of Competition:** Companies that are involved in the community set themselves apart from the competitors. Improving the brand's image by cultivating relationships with customers and their communities.

❖ Arguments in favour of Social Responsibility:

- **Justification for Existence and Growth:** Business is the creation of society therefore it should respond according to the demands of the society. To survive and grow in society for long run the business must provide continuous services to the society.
- **Long term Interest of the firm:** A firm can improve its image and builds goodwill in the long run when its highest goal is to serve the society. If it indulges in unfair Trade Practices e.g., adulteration, hoarding, black marketing, it may not be able to exist for long.
- **Avoidance of government regulations:** Business can avoid the problem of government regulations by voluntarily assuming social responsibilities.
- **Availability of resources with business:** Business has valuable financial and human resources which can be effectively used for solving problems of the society.
- **Better environment for doing business:** It is the social responsibility of business enterprise to provide better Quality of life and standard of living to people. So, business will get better community to conduct business.
- **Contribution to social problems:** Some of the social problems have been created by business firms themselves such as pollution, creation of unsafe workplaces,

discrimination etc, Therefore, it is the moral obligation of business to solve social problems.

❖ Arguments Against Social Responsibility:

- **Profit Motive:** A business is an economic entity that is guided by profit motive. It should not waste its energies and resources in fulfilling social responsibility.
- **Burden on consumers:** Involvement of business in social responsibilities involve a lot of expenditure which will ultimately be borne by the customers.
- **Lack of Social Skills** -The business firms and managers have the skills to handle business operation. They are not expert to tackle the social problems like poverty, over population etc. Therefore, social problems must be tackled by social experts.
- **Lack of public support:** Generally public does not like business involvement in social problems. Therefore, business cannot fulfill social responsibility because of lack of public confidence & cooperation.

❖ Reality of Social Responsibility:

In reality, social responsibility receives only lip service. Some business houses fulfill its legal responsibility in the name of social responsibility. There are some factors and reasons which have forced and persuaded business organizations to fulfill their social responsibility which are as follows:

- **Threat of public regulation:** India is a democracy where Government is expected to be welfare state. If any business organization acts in a socially irresponsible manner, then an action may be taken against them to safeguard people's interest. In reality, business houses do not assume their social responsibility on their own but due to threat of public action.
- **Pressure of labour movement:** In the last century, labour movement for extracting gains for the working class throughout the world has become powerful. Labour laws are also followed not out of a sense of social responsibility but because of increasing pressure of labour movement.
- **Impact of consumer consciousness:** Consumers are also becoming aware of their rights since enactment of Consumer Protection Act, 1986. Under this Act, consumers are entitled to file a case if he is cheated in any ways.
- **Development of social standard for business:** As per new social standards, a business is considered to be legitimate only if it fulfills its social responsibilities. No business can be done in isolation with the society. The performance of a business is judged on social standards.
- **Development of business education:** Nowadays businessmen are professionally qualified due to changing pattern of form of business. It is also making it socially more responsible. Education has made people more conscious as employees, customers, investors and owners.
- **Relationship between social interest and business interest:** Businessmen are able

to find that social interest and business interest are correlated. The concept which existed earlier that no business can grow without exploitation of others does not exist anymore.

- **Development of professional, managerial class:** Professional management is also educated of the benefits it can get by fulfilling its social responsibility. Professional managers are more interested in satisfying a multiple group of interest groups in society for running their enterprises successfully than attaining goal of profit maximization only.

❖ Kinds of Social Responsibilities:

- **Economic Responsibility:** In an economic responsibility, business is expected to produce goods and services that are beneficial for society and society which wants and sell them at a profit.
- **Legal Responsibility:** Every business enterprise is expected to operate within the legal framework of our society. A law-abiding enterprise gets no interference of government and is considered as a socially responsible enterprise.
- **Ethical Responsibilities:** Ethics is much more than law, while behaving ethically businessmen should not be involved in adulteration, black marketing, etc.
- **Discretionary Responsibilities:** This responsibility is purely voluntary. This includes contribution in charity. Participation in social service projects, setting up educational and training institutions etc. helping people affected by flood, earthquake etc.

❖ Social Responsibility Towards Different Interest Group:

Once the social objective of business is recognized, it is important to know to whom and for what the business and its management are responsible. Obviously, a business unit has to decide in which areas it should carry out social goals.

Some of the specific responsibilities and enterprise may be outlined as under:

- **Responsibility towards the shareholders or owners:** A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organization must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.
- **Responsibility towards the workers:** Management of an enterprise is also responsible for providing opportunities to the workers for meaningful work. It should try to create the right kind of working conditions so that it can win the cooperation of workers. The enterprise must respect the democratic rights of the workers to form unions. The worker must also be ensured of a fair wage and a fair deal from the management.
- **Responsibility towards the consumers:** Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise toward its customers. The enterprise must take proper precaution

against adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, and so on. They must also have the right of information about the product, the company and other matters having a bearing on their purchasing decision.

- **Responsibility towards the government and community:** An enterprise must respect the laws of the country and pay taxes regularly and honestly. It must behave as a good citizen and act according to the well accepted values of the society. It must protect the natural environment and should avoid bad, effluent, smoky chimneys, ugly buildings dirty working conditions.

Business and environmental protection:

❖ Meaning of Environment:

The environment is defined as the totality of man's surroundings: both natural and man-made. Natural Resources-all land, water, air and man-made: cultural heritage, socio-economic institutions and the people.

❖ Meaning of Environmental pollution:

It means injection of harmful substances into the environment. The greatest problem that industries and businessmen are creating is that of pollution which is the result of industrial production. So, protection of environment is must.

❖ Causes of Pollution:

Many industrial organizations have been responsible for causing air, water, land and noise pollution.

- **Air Pollution:** Due to smoke, chemical emitted by factories, vehicle. It has created a hole in the ozone layer leading to global warming.
- **Water pollution:** Due to chemicals and waste dumped into the rivers, streams & lakes. It has led to the death of several aquatic animals and posed a serious problem to human life.
- **Land Pollution:** Due to dumping of garbage and toxic wastes which affect the fertility of land and makes it unfit for agriculture.
- **Noise Pollution:** Caused by the running factories and vehicles. Noise pollution can be responsible for many diseases like loss of hearing, violent behavior and mental disorder.

❖ Need For Pollution Control:

- **To ensure healthy life:** Many diseases like cancer, heart attack and lung complications all caused by pollutants in the environment. Pollution control is must to keep a check on these diseases.
- **To ensure safety:** Due to environmental pollution and smoke, the visibility is reducing due to which chances of accidents have been increasing. To reduce the

number of accidents there must be a check on pollution.

- **Economic Losses:** Pollutants in the environment bringing heavy economic losses for the country, for example Taj Mahal is losing its beauty due to pollution.
- **Improved Public Image:** A firm that adopts pollution control measures enjoys a good reputation as a socially responsible enterprise.

❖ **Business and Environmental Protection:**

A business organization or the businesses around the globe can take the following steps in order to reduce environmental pollution and thereby protect the environment:

- Companies involved in the production of various utilities or products can go for eco-friendly, low waste and clean technology for equipment used in such industries.
- Industrial wastes should be recycled every time so that it minimises the chances of pollution.
- The machinery should be upgraded so that it complies with the pollution norms, which will be beneficial in reducing the levels of pollution.
- Conduct quarterly/ yearly audits for checking the effectiveness of the pollution control programs and making changes so as to bring about more success in pollution control programmes.
- The companies and industries should comply with the rules laid down by the government with respect to prevention of environmental pollution.
- The businesses should take steps to save the environment by setting up campaigns of planting trees, cleaning of rivers.

Business ethics:

Refers to the moral values or standards or norms which govern the activities of a businessman. Ethics define what is right and what is wrong. By ethic we mean the business practices which are desirable from the point of view of Society. The purpose of business ethics is to guide the managers and employees in performing their job. Example of business ethics are charging fair price from customers, giving fair treatment to workers, earning reasonable profits and paying taxes to the government honestly.

❖ **Elements of business ethics:**

- **Top management commitment:** The CEO and higher level managers must be committed to ethical norms of behavior. This would set an example for all employers and encourage them to follow ethical practice.
- **Publication of code:** Code of ethics is a formal written document of the principles, values and standards that guide a firm's actions. It may cover areas like honesty, quality, safety, health care etc.
- **Establishment of compliance mechanism:** A suitable mechanism should be developed to comply with the ethical standards of the enterprise. The mechanism

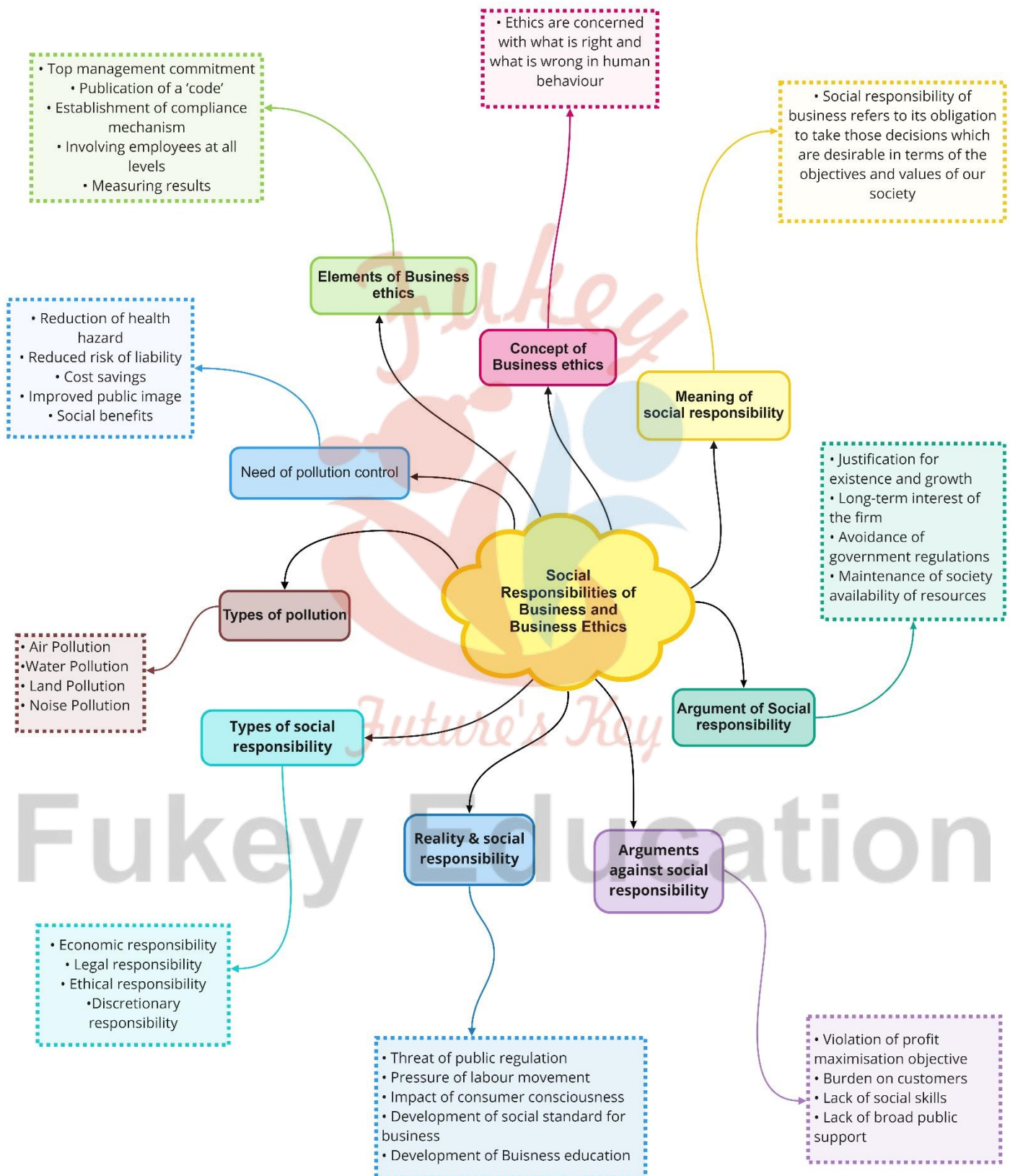
should be properly communicated to all in the organization.

- **Employee involvement:** It is the employees of the lower levels who implement ethical principal so they must be involved in the process of developing ethical code.
- **Measuring results:** Although it is difficult to measure the ethical results but it must be verified and audited that have for work is being carried according to ethical standards.



Fukey Education

Class : 11th Business Studies
Chapter- 6 : Social Responsibilities of Business and Business Ethics



Important Questions

Multiple Choice Questions-

Question 1. Responsibility towards the government is _____.

- (a) Safety of investments provided by shareholders
- (b) Pay taxes regularly and honestly
- (c) Supply of goods at a reasonable price to consumers
- (d) None of the above

Question 2. A business enterprise has the responsibility to provide a fair return to the _____

- (a) Shareholders
- (b) Customers
- (c) State Government
- (d) None of the above

Question 3. Why business ethics are important?

- (a) It formulates the firm's image and builds the brand
- (b) It influences the buying decision of the customers
- (c) Build confidence within employees
- (d) All of the above

Question 4. Ethics is important for _____

- (a) Non-managerial employees
- (b) Middle-level managers
- (c) Top management
- (d) All of the above

Question 5. Business people have the skill to involve _____

- (a) Some social problems
- (b) All economic problems
- (c) No social problems
- (d) All social problems

Question 6. The word 'Ethics' has its origin in the _____

- (a) Greek Word
- (b) British Word
- (c) Indian Word

(d) Latin Word

Question 7. The need for social responsibility arises due to the _____

- (a) Firm's interest
- (b) Interest of society
- (c) Both firm's and society interest
- (d) None of the above

Question 8. Social responsibility is

- (a) Broader than legal responsibility
- (b) Same as a legal responsibility
- (c) Narrower than legal responsibility
- (d) None of the above

Question 9. ADRs are issued in

- (a) USA
- (b) China
- (c) India
- (d) Canada

Question 10. Running of factories and vehicles cause _____

- (a) Land pollution
- (b) Water Pollution
- (c) Noise Pollution
- (d) None of the above

Question 11. Funds required for purchasing current assets are known as

- (a) Working capital
- (b) Fixed capital
- (c) Lease financing
- (d) Retained earnings

Question 12. It includes the behavior of the firm expected by the society but not codified by law. Identify the category of social responsibility referred to here.

- (a) Economic Responsibility
- (b) Ethical Responsibility
- (c) Legal Responsibility
- (d) All of the above

Question 13. Which of the following institution provides financial assistance towards

balanced regional development and development of management education in the country.

- (a) Industrial development bank of India (IDBI)
- (b) Industrial Finance Corporation of India (IFCI)
- (c) Life insurance Corporation of India (LIC)
- (d) Industrial Credit and Investment Corporation of India (ICICI)

Question 14. Providing charitable contributions to educational institutions is _____

- (a) Legal responsibility
- (b) Economic responsibility
- (c) Discretionary responsibility
- (d) None of the above

Question 15. Every business has a responsibility to operate within the laws of the land as per the _____

- (a) Legal responsibility
- (b) Financial responsibility
- (c) Economic responsibility
- (d) None of the above

Very Short Questions –

QUESTION 1 Explain the social responsibility of business.

QUESTION 2 Give two examples of business ethics.

QUESTION 3 Give two examples of noise pollution

QUESTION 4 Define environment pollution.

QUESTION 5 How does an organization have a social responsibility towards owners' and shareholders'?

QUESTION 6 Define discretionary responsibility.

QUESTION 7 State three responsibilities of a company towards its employees.

QUESTION 8 State why business ethics are important?

QUESTION 9 Explain why social responsibility is highlighted?

QUESTION 10 Mention one need for social responsibility.

Short Questions –

Question 1. Explain the concept of 'Human Rights'. Also mention cases for Human Rights.

Question 2. Outline the major Environmental Pollution Control Activities,

Question 3. What are the various factors influencing business ethics?

Question 4. Write short notes on CSR?

Question 5. List the environmental problems that cause damage to the natural environment?

Question 6. Define Corporate Governance?

Question 7. What are the main ground rules of ethics?

Question 8. Write the effects of pollution?

Question 9. Give some examples of Business ethics.

Question 10. "The concept of social responsibility is ultimately in the interest of business community itself." Do you agree? Explain.

Long Questions –

1. Explain the forces which are responsible for increasing concern of business enterprises towards social responsibility.
2. It is in the interest of business to fulfill its social responsibilities towards different interest groups. Explain?
3. MNO Ltd., A renowned computer company follows the vision of "reaching new heights with its people on its side", It not only provides quality products but also provides various facilities to its employees for 5 years of service. It also provides computer skills to youth in remote areas for free.
 - (a) What according to you are the business ethics of the company?
 - (b) Is it fulfilling its social responsibilities towards which interest groups?
4. There is a group discussion taking place in class XI regarding social responsibility of business' Ravi feels that a business should be socially responsible towards the society it exists in while shama is against it as the basic objective of a business is to earn projects. Whom do you think you will favour? Write points with respect to your opinion.
5. State the factors against social responsibility?
6. Describe the role of social responsibility in today's era?
7. What is the need to control pollution and how should businesses contribute to environmental protection?

Case Study Questions –

1. Read the following text and answer the questions that follow:

Karigar Furniture Ltd., a company manufacturing and trading furniture, was started by Saransh with five of his friends under Start Up India Program. It provides a diverse collection of wooden, plastic, cane, bamboo, and steel furniture at reasonable rates to the customers. They import raw-material from China for the same abiding by the government policy and procedures for imports. The company is earning good profits and donating 5% of profits earned for plantation of trees on highway roadside. The company organises training and skill development programme for its workers. The efficient planning and marketing strategy of the company has offered the owners of the company reasonable appreciation of capital

employed.

(i) Providing furniture at the reasonable rates is an example of social responsibility towards which of the following?

- a) Consumers
- b) Community
- c) Creditors
- d) Owners

(ii) "The company organises training and skill development programme for its workers.

Which of the following is not an example of the category of business responsibility stated?

- a) Providing safe working conditions
- b) Fair deals from management
- c) Earn fair returns on capital employed
- d) Develop sense of belongingness

(iii) "...donating 5% of profits earned for plantation of trees..."

Identify the kind of social responsibility undertaken by the company.

- a) Legal
- b) Personal
- c) Discretionary
- d) None of these

(iv) "...import raw-material from China for the same abiding by the government policy and procedures for imports".

Identify the kind of responsibility fulfilled here.

- a) Discretionary
- b) Legal
- c) Economic
- d) Ethical

2. Direction: Read the following text and answer the questions that follow:

Shuddh Masala Udyog is a Partnership firm, which deals in trading of all varieties of spices. The partners focus on maximising the profits on the basis of customer satisfaction. Due to increasing competition in the market, the level of profits is falling. One of the partners advised to use substandard raw-material, to do little adulteration in products, and to maintain their profit margin. But the other partners opposed it by saying that the consumers can take legal action against the firm. Suggestion came from other partners to cut down the wages of workers and to withdraw the brunch facility given to them, but it was discarded on the ground that it will create discord and unsatisfactory environment. Finally it was decided

that to maintain their profits the firm has to boost its sale and public image by fulfilling the social responsibility.

(i) "...public image by fulfilling the social responsibility..."

Social responsibility improves public image because of the following reasons?

- a) Mandatory for the business
- b) Legal obligation for business
- c) Satisfied workers and consumers contribute in the success of the business
- d) Avoidance of government interference

(ii) "... cut down the wages of workers."

What is the reality of social responsibility that business firms don't do this?

- a) Threat of government interference
- b) Development of business education
- c) Pressure of labour movements
- d) Burden on consumers

(iii) "...will create discord and unsatisfactory environment."

Identify the argument in favour of social responsibility in this regard.

- a) Better community to conduct business
- b) Business creates social problems
- c) Justification for growth of business
- d) For maintenance of society

(iv) If the business resorts to substandard raw-material, and does little adulteration in products, which of interest group will be affected:

- a) Workers
- b) Government
- c) Supplier
- d) Consumer

MCQ Answers –

1. Answer: (b) Pay taxes regularly and honestly
2. Answer: (a) Shareholders
3. Answer: (d) All of the above
4. Answer: (d) All of the above
5. Answer: (a) Some social problems
6. Answer: (a) Greek Word

7. Answer: (c) Both firm's and society interest
8. Answer: (a) Broader than legal responsibility
9. Answer: (a) USA
10. Answer: (c) Noise Pollution
11. Answer: (a) Working capital
12. Answer: (b) Ethical Responsibility
13. Answer: (a) Industrial development bank of India (IDBI)
14. Answer: (c) Discretionary responsibility
15. Answer: (a) Legal responsibility

Very Short Answers –

1. Answer: Social Responsibility of a business can be defined as an activity or a responsibility that a business carries up and beyond the legal requirement of business for the good and well-being of the society.
2. Answer: The two examples of business ethics are honesty and law-abiding.
3. Answer: The two examples of noise pollution are malfunctioning of heart and hearing problem
4. Answer: The environment refers to all types of mankind surrounding both natural and man-made. These surroundings are natural resources which include water, air, flora, and fauna, etc. Environment pollution is the infusion of harmful chemicals or substances into the natural environment and causes unfavourable change.
5. Answer: An organization should provide full and detailed information about the present financial status and well-being of the company and future plans.
6. Answer: Discretionary responsibility refers to the company's management responsibility to protect the capital investment by bypassing insecure activity and engaging with a healthy business venture.
7. Answer: The three responsibilities of a company towards its employees are
 - Giving employees the right working culture to win the assistance of employees.
 - Allowing the employees to form a union as their democratic right.
 - The employee should receive a decent wage from the management.
8. Answer: Business ethics are important because
 - It formulates the firm's image and builds the brand
 - It influences the buying decision of the customers
 - Build confidence within employees
 - Builds advantage on the competitive market
9. Answer: It is important to highlight and emphasize social responsibility to maintain the

balance between the economy and the ecosystem.

10. Answer: For every business social responsibility is important to create the company's brand name and value.

Short Answers –

1. Answer:

Concept of Human Rights: Human rights provide equality to individuals in their interests. Human rights basically meant to provide a basis for justifying one's action and provide protection and assistance. Human rights lay stress on the concept of humanity. All big business organizations should follow and promote human rights.

Cases for Human Rights- Human rights have received high priority in our society'. In order to get these rights, many movements have also appeared.

The following statements may be mentioned in favor of human rights in general, in society' and in particular in business.

1. Protection against Human Injustice- Businessmen generally do not protect government patterns and establish their own social and economic parameters. Human rights come to light when people think that injustice being perpetuated.
2. Provides Benchmarks for Law Land Policies: After independence, certain basic rights became natural which do not act under any law or policy. These rights take precedence over the particular laws and standards created by society.
3. Respecting the Human Values: Some human rights are taken as basic rights. These rights are the overriding significance of human rights over others, human rights, and legal rights and provide entitlements beyond legal jurisdiction should be respected by others.

There is a great difference between human and legal rights. One may have a legal right to do something inhumane but for doing any work of humanity there is no need to have legal rights. Legal rights are derived from the constitution and policies while human rights derived independently. Human rights are based on human norms. Entitlement of human rights can derive from a system of human standards independently of any particular legal system. These rights prohibit todo something inhumane.

United Nation declares the following as Human Rights:

- The right to work, free choice of employment, good working conditions, right of protection against unemployment.
- Right of just or favorable remuneration.
- Right to form and join trade unions.
- Reasonable limitation of working hours and periodic holidays with pay.

2. Answer:

Major Environmental Pollution Control Activities:

1. National conservation strategy in 1992, policy statement for environment and

development, Policy statement for abatement of pollution 1992, National Forest Policy 1988, and in 1986. Environment (Protection) Act was initiated for pollution control.

2. Standards related to air, water, and noise levels were formulated by a multi-disciplinary group keeping in view the international standards, technologies, and impact on health and the environment.
3. Action plans and identification of 17 categories of major polluting industries.
4. Identification of 24 major polluted areas for pollution control.
5. Factories were asked to use coal wherein % of smoke will not be more than 34%.
6. Action plans for 141 polluted rivers started.
7. In order to reduce the pollution from automobiles, cleaner fuels, low sulfur diesel, and compressed natural gas (CNG) should be used at the manufacturing stage.
8. Starting of clean technologies for big industries.
9. For the clusters of SSI units 'Common Effluent Plants' was set up.
10. The eco mark scheme started to increase the production/consumption of Environment-friendly products.
11. A zoning atlas was prepared to get environmental informational district level.
12. Environmental epidemiological studies were initiated in seven critically polluted areas to study the impact of the environment on health.
13. Financial assistance to initiate pollution control environments and to shift industries in the outer places.
14. Environment Pollution (Prevention & control) authority was established.
15. Prohibition of smoking in public places and use of polythene bags.

3. Answer:

Factors Influencing Business Ethics: The main determinants of business ethics are as follows:

1. **Social values-** Social forces and pressures exercise considerable influence on business ethics. Often, different groups in society compel businessmen to discontinue unethical practices. Morality, behavior, beliefs emerge from social values, social forces exercise influence on business to observe ethics in business.
2. **Legislation:** Laws are generally passed to keep a check on unethical practices. They are their use of social pressures. When society considers a practice unethical, it may exercise its influence to get that practice declared illegal. For example, the Monopolies and Restrictive Trade Practices Act has made monopolistic trade practices illegal in India. Prevention of Food Adulteration Act 1976, Drugs and Cosmetics Act 1946, Prevention of Black-marketing and Maintenance of Supply of Essential Commodities Act 1980 has to enact to keep a check on malpractices of business.
3. **Government rules and regulations:** Government regulations provide guidelines for acceptable practices. For example, the government has made it compulsory for tobacco

companies to give the statutory warning “smoking is injurious to health” in the advertisements for cigarettes.

4. Industry norms: In some industries and trades, specific codes of conduct have been laid down. In addition, many organizations have laid down guidelines for regulating the behavior of their employees. Most industries have an ethical climate that governs the code of conduct of the employees. An individual working in the enterprises to observe the code of conduct of the enterprise, and norms established in the industry.

5. Personal Values-The personal beliefs of the individuals working in an organization also influence business ethics. However, sometimes there is a conflict between personal moral values and company goals. Generally, employees look to their superiors and tend to adopt their values and actions. The behavior of competitors and associates also influences business ethics. An honest businessman must-keep their personal interest subordinate to the interest of society.

6. Professionalisation: Professional managers normally tend to have higher ethical standards than family managers. Therefore, the growing professionalization of management has exercised a healthy influence on ethics in business. These days professionalism of management has been generating more ethics in the business.

4. Answer:

It is the responsibility of every form of business enterprise to act in a socially desirable manner. But the concept of CSR is corporate social responsibility used particularly with reference to a company. It may be defined as achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment. It means addressing the legal, ethical, commercial, and other expectations that society has from corporate who should take decisions and actions that fairly balance the claims of stakeholders. CSR is viewed as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply claims, and decision-making processes throughout the company.

5. Answer:

The United Nations has identified eight problems that cause damage to the natural environment.

These are:

1. Ozone depletion
2. Global warming
3. Solid and hazardous wastes
4. Water pollution
5. Freshwater quality and quantity
6. Deforestation
7. Land degradation
8. Danger to biological diversity.

6. Answer:

It is originated in the United Kingdom for the purpose of improved accountable to directors to shareholders, with emphasis on more transparent auditing and increased responsibilities of independent directors and division of roles of chairman and managing directors for safeguarding the interest of the shareholders.

7. Answer:

The following are some rules which all human beings should follow in life.

1. Be trustworthy
2. Have respect for other
3. Own responsibility
4. Be fair in dealing
5. Be caring towards well being of others.
6. Prove to be a good citizen

8. Answer:

Pollution: The injection of harmful substances into the environment is called pollution. It changes the physical, chemical, and biological characteristics of air, land, and water. Pollution harms human life and the life of other species. It also degrades living conditions while wasting or depleting raw material resources. It also damages our historical monuments. It causes risks to the environment, human health and damage to natural and man-made resources.

9. Answer:

1. Giving enough dividends to the shareholder on their investment.
2. Making goods available of good quality and quantity at a reasonable price.
3. Making timely payments to the suppliers.
4. Having healthy competition with the competitors.
5. Observing the government laws and helping the government by paying taxes in time.
6. Making employment to the society.
7. Saving the environment from getting polluted.

10. Answer:

“The concept of social responsibility is ultimately in the interest of the business community itself. I agree with this statement because business is an organ of society and it operates in a socio-economic environment. It can justify its existence by fulfilling its obligations to society. No doubt business is an economic institution and it cannot survive without economic performance. But economic results depend upon the goodwill and support of the society’. Business gains support only when it assumes its social responsibilities.

Long Answers –

1. Ans: The forces are as follows:

(a) The interests of stakeholders:

- To get the support of employees, it has become necessary for organizations to discharge its possibility towards their employees.
- Also, the customer does not purchase what is being provided to him, he buys what he wants. As a result of consumer sovereignty, firms have been pushed to take social responsiveness toward them, as satisfying social commitments is good for the enterprises' long-term survival.

(b) Long-run survival:

- When the firm's primary purpose is to serve society, the firm and its image stand to gain the most benefit in the long term.
- If a company performs its social obligation, it benefits itself.
- When a company promotes social aims, its public image improves, which further leads to long term survival and success of the business.

(c) Self-enlightenment:

- With increase in the level of education and understanding of businesses that they are the creations of the society, they are motivated to work for the cause of social good.
- Rather than legislative interference being the cause of social responsibility, firms have human social responsibility on their own.

(d) Government regulation:

- Businessmen are said to be able to avoid government regulation by voluntarily taking on social duties, which helps to lessen the need for new legislation.
- The Central Pollution Control Board, for example, is in charge of environmental pollution issues, and in case the company does not adhere to the norms of this board, the board can take serious consequences against it.

(e) Resources:

- There are abundant resources available with the organizations that hold the power to partly solve the social problems.
- Businesses are dependent on society and its resources in indescribable ways, hence it is fair enough that it pays back the society both economically and socially.

(f) Business responsible for social problems:

- Businesses have either generated or perpetuated social problems, hence it has a moral obligation to get involved in tackling these challenges rather than relying on other social institutions to do so.

(g) Pressure of labour movement:

- The labour movement has grown in strength around the world in order to obtain gains for the working class.
- This has compelled businesses to consider the welfare of their employees rather than pursuing a "hire and fire" policy.

(h) Impact of consumer consciousness:

- Development of education and Mass media and increasing competition in the market has made the consumer conscious of his right and power in determining market forces.
- Now, the customer is the king and is much aware of his rights, hence the businesses have started following a customer oriented approach, to keep them happy and satisfied.

(i) Development of social standard for business:

- Various social standards have been set for business in terms of its responsibilities towards various interest groups, hence it becomes crucial for the firms to adhere to these social standards and contribute to the society in order to ensure its long run survival.
- There is no way to run a business without interacting with the rest of the world.
- Relationship between social interest and business interest:
- Companies have begun to recognize that social and business goals are not mutually exclusive. They are, instead, complementary to one another.
- The long-term benefit of business is in providing good service to society.

(j) Development of professional, managerial class:

- Professional managers are more concerned in fulfilling a variety of interest groups in society when it comes to running their business than simply making a profit.

2. Ans: The responsibilities that the businesses are supposed to fulfill in the interest of different interest groups are:

Responsibility towards the shareholders or owners:

- Shareholders must also be given regular, accurate, and complete information about the company's operations and growth plans.
- The responsibility of a business enterprise is to provide a profit to its shareholders or owners.

Responsibility towards the workers:

- The right kind of working condition to be given so that it can win the cooperation of the workers.
- The company must respect the workers' democratic freedom to form unions.
- The worker must also be assured of a fair wage and a fair deal from the management.

Responsibility towards the consumers:

- The obligation of an organization towards its customers is to provide the correct quality and quantity of goods and services to consumers at fair pricing.
- Adulteration, poor quality, a lack of required services and civility to consumers, misleading and dishonest advertising, and so on must all be avoided by the business.

Responsibility towards the government and community:

- An organization must follow the rules of the country and pay taxes on a timely and accurate basis.
- It must act like a good citizen and adhere to the society's widely accepted values.

3. Ans: (a) Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of a standard form of conduct/behavior of individuals, as approved by society in a particular field of activity. The relationship between company objectives, procedures, and processes and the good of society is the subject of business ethics. The socially decided moral norms that should regulate company activity are referred to as business ethics. Ethical business is good business. For example honesty, transparency, social welfare, integrity etc.

(b) It is fulfilling social responsibility towards its customers, employees and society.

- Customers: The company provides quality products to its customers.
- Employees: It provides various facilities to their employees for their 5 years service.
- Society/ Community: The company is also providing computer skills to youth in remote areas free of cost, which in turn will lead to skilled India, and make the youth capable of finding a suitable job for themselves. Also, due to this, the growth in rural areas would be made possible.

4. Ans: I will favour Ravi. Social responsibility is important for the success of the business. The following points highlights the importance of social responsibility:

Protect the interests of stakeholders:

- To get the support of employees, it has become necessary for organizations to discharge its possibility towards their employees.
- The customer does not purchase what is being provided to him, he buys what he wants. Hence, as a result of consumer sovereignty, firms have been pushed to take social responsiveness toward them, as satisfying social commitments is good for the enterprises' long-term survival.

Long-run survival:

- When the firm's primary purpose is to serve society, the firm and its image stand to gain the most benefit in the long term.
- If a company performs its social obligation, it benefits itself.
- When a company promotes social aims, its public image improves as well, which

further leads to the long term survival and success of the business.

Avoids government regulation:

- Government regulations are unwelcome because they stifle individual liberty.
- Businessmen are said to be able to avoid government regulation by voluntarily taking on social duties, which helps to lessen the need for new legislation.
- For example, the Central Pollution Control Board takes care of issues related to environmental pollution, and if a business firm follows appropriate measures to avoid environmental pollution, then the interference of the said board could be reduced.
- Given the vast financial and personnel resources at its disposal, it can assist society in better addressing its challenge.

Professionalization and better environment:

- Businesses are becoming more socially oriented as management becomes more professional.
- The ethics of profession by and manager to social values and growing concern for society.
- A society with fewer problems provides a better environment for a firm to conduct its business.

Business responsible for social problems:

- Business businesses have either generated or perpetuated social problems.
- Business has a moral obligation to get involved in tackling these challenges rather than relying on other social institutions to do so.

Converting problems into opportunities:

- Business with its history of converting risky situations into two profitable deals, can not only solve social problems but it can also make them effectively useful by accepting the challenge.

Resource Utilisation:

- Businesses have abundant financial, managerial, technical resources. Hence, these resources can be put to use into solving various social challenges and issues.

5. Ans: The factors against social responsibility are:

Violation of profit maximization objective:

- Business exists mainly for profit maximization. Hence social responsibility is somewhat contradictory to the primary objective of profit maximization.
- Profit maximization through higher efficiency and lower costs is the best way for business to fulfil its social obligation.

Burden on consumers:

- Pollution control and environmental protection, like social responsibility, are very

expensive and frequently necessitate financial commitment.

- Instead than bearing the burden of social responsibility, they simply pass it to the consumer by demanding a greater price.

Lack of social skills:

- Businesspeople lack the essential knowledge and training to solve social issues.
- Other specialized agencies should deal with social issues.

Lack of broad public support:

- Business engagement or meddling in social programmes is disliked by the general public.
- As a result, businesses are unable to thrive due to a lack of public trust in collaborative efforts to solve societal problems.

6. Ans: The role of social responsibility is explained in the following points:

Threat to public regulation:

- Action is taken to regulate business entities that operate in a socially irresponsible manner in order to protect the interests of the public.
- One of the main reasons why businesses are concerned about social responsibility is the fear of government regulation.
- Hence social responsibility plays an important role in protecting the interests of the public, and avoiding any threat from them as well as the government.

Pressure of labour movement:

- The labour movement has grown in strength around the world in order to obtain gains for the working class.
- This has compelled businesses to consider the welfare of their employees rather than pursuing a "hire and fire" policy.

Impact of consumer consciousness:

- Development of education and Mass media and increasing competition in the market has made the consumer conscious of his right and power in determining market forces.
- Now, the customer is the king and is much aware of his rights, hence the businesses have started following a customer oriented approach, to keep them happy and satisfied.

Development of social standard for business:

- Various social standards have been set for business in terms of its responsibilities towards various interest groups, hence it becomes crucial for the firms to adhere to these social standards and contribute to the society in order to ensure its long run survival.

- There is no way to run a business without interacting with the rest of the world.

Development of business education:

- More and more individuals are becoming aware of the social purpose of business as a result of its rich content on social responsibility.

Relationship between social interest and business interest:

- Companies have begun to recognize that social and business goals are not mutually exclusive. They are, instead, complementary to one another.
- The long-term benefit of business is in providing good service to society.

Development of professional, managerial class:

- Professional management education at universities and specialized management schools has resulted in the formation of a distinct class of professionals.
- Professional managers are more concerned in fulfilling a variety of interest groups in society when it comes to running their business than simply making a profit.

7. Ans: The need for Pollution Control is:

- To reduce health risks: There is mounting evidence that pollution in the environment causes various diseases such as cancer, heart attacks, and lung difficulties. Hence, there is an urgent need to control pollution.
- To reduce risk of liability: It is conceivable for a company to be held accountable for compensating people who have been harmed by the toxicity of gaseous, liquid, or solid pollutants it has released into the environment.
- Cost savings: Faulty manufacturing technology produces more trash, resulting in higher waste disposal and facility cleaning costs. Therefore steps to control pollution will ultimately help the firms to save their costs and expenses.
- Improved public image: A company that advocates for environmental causes will have a positive reputation and be seen as a socially responsible business.
- Other social benefits: Controlling pollution has a number of other advantages, including improved visibility, cleaner buildings, a higher quality of life, and the availability of natural resources in their purest form.
- Role of Business in Environment Protection:
- Organizational commitment: It shows the commitment an organization has towards the environment of which it is a part. The firm's commitment can be seen by the company's senior management building, maintaining, and developing a work culture that promotes environmental protection and pollution prevention. Assuring that the company's commitment to environmental preservation is shared by all divisions and workers.
- Policies and programmes: Through the formulation of defined policies and programmes for acquiring high-quality raw materials, using advanced technology, employing scientific waste disposal, treatment procedures, and improving employee

skills, the firm can contribute in environment protection and conservation.

- Rules and regulations: Adherence to the government's pollution-prevention rules and regulations is another way a firm can fulfil its role towards environment preservation.
- Participation: The firm's participation in government programmes aimed at preventing deforestation, managing dangerous substances, cleaning up dirty waterways, and planting trees also leads to environmental protection and conservation.
- Evaluation: The firms conduct periodic evaluation of pollution control programmes in terms of costs and benefits so as to improve environmental protection efforts.
- Organizing workshops: The firm's efforts into organizing educational workshops and training materials to share technical knowledge and expertise with suppliers, dealers, and customers also contributes towards pollution control programmes.

Case Study Answers –

1.

(i) a) Consumers

Solution: Providing furniture at the reasonable rates is an example of social responsibility towards consumers.

"Exercise your purchasing power as a consumer, volunteer and bring joy to those in need, and share your experiences, tell your stories, and inspire others along the way."

(ii) c) Earn fair returns on capital employed

Solution: Earning fair returns on capital employed is not an example of the category of business responsibility stated.

(iii) c) Discretionary

Solution: Discretionary is the kind of social responsibility undertaken by the company.

Companies have a moral duty to improve the society by donating a small share of revenues to good causes, and this is a discretionary responsibility.

(iv) b) Legal

Solution:

- Legal responsibility is fulfilled here.
- Legal responsibility: All companies are subject to legal responsibilities and are required to follow the law, which impact organizations planning process. In order to operate soundly, a company must familiarize itself with external factors that govern the industry that the company operates within.

2.

(i) c) Satisfied workers and consumers contribute in the success of the business

Solution: Satisfied workers and consumers contribute in the success of the business.

(ii) c) Pressure of labour movements

Solution: Pressure of labour movements is the reality of social responsibility that business firms don't do this.

(iii) a) Better community to conduct business

Solution: Better community to conduct business. Community involvement is an easy and effective way to increase brand awareness, establish a positive reputation, and grow your business. Plus, it allows you to establish meaningful connections and give back to those in need.

(iv) a) Better community to conduct business

Solution: Consumer organizations are advocacy groups that seek to protect people from corporate abuse like unsafe products, predatory lending, false advertising, astroturfing and pollution. Consumer Organizations may operate via protests, litigation, campaigning, or lobbying.



Fukey Education