

17

**SOCIAL RESPONSIBILITY OF BUSINESS****I. CHOOSE THE BEST ANSWER:**

1. Which type of responsibility gives the benefit to the society out of its profits earned?  
(a) Legal                      (b) Ethical                      (c) Moral                      (d) Economic
2. The stakeholders of socially responsible business units are except  
(a) Share Holders   (b) Employees              (c) Government              (d) Company
3. Assuming Social Responsibility of business helps the enterprise in \_\_\_\_  
(a) Increase Profit   (b) Decrease Profit              (c) Sustainability              (d) Equilibrium
4. Socially responsible business provides goods at  
(a) High Price              (b) Low Price              (c) Reasonable price              (d) Moderate Price
5. Social responsibility towards employees represents the following except  
(a) Reasonable remuneration                      (b) Proper facilities  
(c) Social security                      (d) Exploitation

**II. VERY SHORT ANSWER QUESTIONS:**

1. What do you mean by Social Responsibility?  
 ✖ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.  
 ✖ It can be said to be social responsibility of business.
2. Give the meaning of Social Power?  
 ➤ Businessmen have considerable social power.  
 ➤ Their decisions and actions affect the lives and fortunes of the society.
3. What is a free enterprise?  
 ♣ A business enterprise which accepts and discharges social obligations enjoys greater freedom.  
 ♣ Social responsibilities are essential for avoiding governmental action against business.
4. Who are called Stakeholders?  
 ✓ A business organisation is a coalition of several interest groups or stakeholders.  
 ✓ Example – shareholders, customers, employees, suppliers, etc.

## 5. What is ethical Responsibility?

- ❖ This includes the behavior of the firm that is expected by society but not codified in law.
- ❖ There is an element of voluntary action in performing this responsibility.

## III. SHORT ANSWER QUESTIONS:

### 1. Define the Concept of Social Responsibility?

“Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony”.

- *Peter F. Drucker*

### 2. Why you do think Social Responsibility of business is needed?

#### i). Creation of Society

- ➔ Business is a creation of society and uses the resources of society.
- ➔ Therefore, it should fulfill its obligations to society.

#### ii). Social Power:

- Businessmen have considerable social power.
- Their decisions and actions affect the lives and fortunes of the society.

#### iii). Free Enterprise:

- ♣ A business enterprise which accepts and discharges social obligations enjoys greater freedom.

### 3. What are the benefits derived by employees of a Socially Responsible business enterprise?

- ▲ Timely and regular payment of wages and salaries.
- ▲ Proper working conditions and welfare amenities.
- ▲ Opportunity for better career prospects.
- ▲ Timely training and development.

### 4. Enumerate the points relating to why business units are Socially Responsible?

- |             |               |             |
|-------------|---------------|-------------|
| ★ Business  | ★ Government  | ★ Customers |
| ★ Investors | ★ Competitors | ★ Suppliers |
| ★ Employees | ★ Society     |             |

### 5. List the kinds of Social Responsibility.

- |                           |                                |
|---------------------------|--------------------------------|
| ✕ Economic Responsibility | ✕ Ethical Responsibility       |
| ✕ Legal Responsibility    | ✕ Discretionary Responsibility |

## IV. LONG ANSWER QUESTIONS

### 1. Explain in detail the concept and need for Social Responsibility?

#### Meaning:

- ✖ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.
- ✖ This benefit is the moral responsibility of business.

#### Need for Social Responsibility:

##### i). Creation of Society

- ➔ Business is a creation of society and uses the resources of society.
- ➔ Therefore, it should fulfill its obligations to society.

##### ii). Social Power:

- ➔ Businessmen have considerable social power.
- ➔ Their decisions and actions affect the lives and fortunes of the society.

##### iii). Free Enterprise:

- ♣ A business enterprise which accepts and discharges social obligations enjoys greater freedom.

##### iv). Image in the Society

- ❖ A business can improve its image in public by assuming social obligations.
- ❖ Good relations with workers, consumers and suppliers help in the success of business.

##### v). Law and Order

- ➔ Any business unit can survive and grow only when there is law and order in society.
- ➔ If business exploits the weaker sections of society for too long, these sections will take the law in their own hands.

### 2. Illustrate with examples the arguments for Social Responsibility?

#### i). Protection of Stakeholders Interest

- ✓ A business organisation is a coalition of several interest groups or stakeholders.
- ✓ Example – shareholders, customers, employees, suppliers, etc.

#### ii). Promotion of Society

- ❖ Business is a sub-system of society.
- ❖ It draws support and sustenance from society in the form of inputs.

### **iii). Assessment of Social Impact**

- During the course of its functioning, a business enterprise makes several decisions and actions.
- Its activities exercise a strong influence on the interests and values of society.

### **iv). Organized Social Power**

- ♣ Social power may be misused in the absence of social responsibility.
- ♣ There should be a equilibrium between social power and social responsibility.

### **v). Public Opinion**

- ✧ Adoption of social responsibility as an objective will help to improve the public opinion of business.
- ✧ A good public image is a valuable asset for business.
- ✧ For example maintaining parks, traffic islands and organizing awareness camps etc.,

## **3. What are the arguments against Social Responsibility?**

### **i). Dilution of Economic Goals**

- ⬆ By accepting social responsibility, business will compromise with economic goals.
- ⬆ Business is an economic institution and its only responsibility is to make maximum possible profits for its owners.

### **ii). Lack of Social Skill**

- ➔ Business organizations and their managers are not familiar with social affairs.
- ➔ There are special social service organizations such as Government and Non-Governmental

### **iii). Burden on Consumers**

- ✓ If business deals with social problems, cost of doing business would increase.
- ✓ These costs will be passed on to consumers in the form of higher prices.

### **iv). Responsibility without Power**

- ✖ Business organizations possess only economic power and not social power.
- ✖ It is unjust to impose social responsibilities with social power.

### **v). Misuse of Responsibilities**

- Acceptance of social responsibilities will involve diversion of precious managerial time and talent on social action programmes.
- It may result in dilution of valuable corporate resources.

#### **4. Discuss the different groups benefited out of Social Responsibility of business?**

##### **i). Responsibility towards Owners**

- Run the business efficiently.
- Growth and appreciation of capital.

##### **ii). Responsibility towards Investors**

- Ensuring safety of their investment,
- Regular payment of interest,

##### **iii). Responsibility towards Employees**

- ☆ Timely and regular payment of wages and salaries.
- ☆ Opportunity for better career prospects.
- ☆ Timely training and development.

##### **iv). Responsibility towards Suppliers**

- Availing reasonable credit period.
- Timely payment of dues.

##### **v). Responsibility towards Customers**

- ★ Products and services must be able to take care of the needs of the customers.
- ★ Products and services must be qualitative

#### **5. How do you classify Social Responsibility?**

##### **i). Economic Responsibility**

- ☆ A business enterprise is basically an economic entity.
- ☆ Its primary social responsibility is economic produce goods and services.

##### **ii). Legal Responsibility**

- Every business has a responsibility to operate within the laws of the land.
- Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

##### **iii). Ethical Responsibility**

- ★ This includes the behavior of the firm that is expected by society but not codified in law.
- ★ There is an element of voluntary action in performing this responsibility.

##### **iv). Discretionary Responsibility**

- ♣ This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions.

@\*@\*@\*@\*@\*@\*@\*@