



### III. Long Answer Type Questions

Question 1. Social responsibility is not an area of business. Do you agree? Justify.

Answer: It can be justified by considering case for and case against social responsibility:

The case in favour of taking up social responsibilities.

1. Existence and growth: Business enterprises exist to make profits by providing goods and services to consumers. Thus, we can say that their long-term growth prospect depends not only on their profits but also on how efficiently they serve the society. Therefore, taking up social responsibilities supports the existence and growth of a business enterprise.
2. Avoidance of government intervention: Business enterprises should always work in line with society's values and ethics. This would help them fulfill their social responsibilities, which in turn would make them less prone to government intervention.
3. Better environment for doing business: Businesses make use of society's resource of human capital. Thus, by providing employment to people, they help solve the social problems of unemployment and poverty, thereby creating a favorable environment for business.

The case against taking up social responsibilities:

1. Violation of profit maximization objectives: It is argued that a business enterprise exists to make a profit. Thus, if it engages itself in solving social problems, then it may not have enough resources to meet its primary objective of profit maximization.
2. Burden on consumers: It is argued that when a business enterprise is engaged in solving social problems such as environment pollution and unemployment, its expenditures increase. This increased financial burden is ultimately passed on to the consumers in the form of higher prices of products.
3. Lack of social skills: Business persons are basically trained to solve business-related problems such as minimizing cost, maximizing profits and increasing sales. However, they are not specialised in solving social problems. Thus, it is argued that social problems must be solved only by specialised agencies, which have the required training and skills.

Question 2. Explain the need for social responsibility.

Answer: Need of social responsibility is essentially a moral question because it can be answered differently by different people depending on what is right and what is wrong for a person. Social responsibility is needed to be followed because:

1. Showing a true commitment: The most successful corporate social responsibility programmes integrate these two types of CSR together to show a true commitment to a cause. For example, a company that uses sustainable materials in their products, donates financial resources to environmental causes, and allows employees to take paid time off for volunteering at environmental charities would be showing a true commitment to the environment that goes beyond any

single CSR initiative.

2. Social media visibility: One of the reasons that corporations should have visible CSR campaigns is due to the importance and prevalence of social media. Corporations that want to protect their brand understand that social media is an integral part of public perception. When a corporation exercises social responsibility in the form of fund raising or setting up employee giving programmes, using social media to promote these actions helps to create a positive branding environment and it is a great way to engage with your audience on a deeper level that goes beyond your products or services.
3. Public relations benefits: Public relations is a potent tool for shaping consumer perception and building a company's image. Corporations that actively promote their social responsibility activities often take steps to publicise these efforts through the media. Getting the word out about corporate donations, employee volunteer programmes, or other CSR initiatives is a powerful branding tool that can build publicity for you in both online and print media.
4. Government relations: Corporations that put an emphasis on corporate social responsibility typically have an easier experience when dealing with politicians and government regulators. In contrast, businesses that present a reckless disregard for social responsibility tend to find themselves finding off various inquiries and probes, often brought on\*at the insistence of public service organizations. The more positive the public perception is that a corporation takes social responsibility seriously, the less likely it is that activist groups will launch public campaigns and demand government inquiries against it.
5. Building a positive workplace environment: Finally, one of the greatest benefits of promoting social responsibility in the workplace is the positive environment you build for your employees. When employees and management feel they are working for a company that has a true conscience, they will likely be more enthusiastic and engaged in their jobs. This can build a sense of community and teamwork which brings everyone together and leads to happier, more productive employees.

Question 3. What is corporate social responsibility? Is it similar to business ethics?

Answer: The World Business Council for Sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts, used the following definition. Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world.

Definition: CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the Government from Ghana, through to CSR is about business giving back to society from the Philippines.

Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving. It is not same as business ethics. Business ethics is a personal concept and is wider in many senses than CSR.

Question 4. Why should a business do any thing for society at

large?

Answer:

The term “Corporate Social Responsibility” is still widely used even though related concepts, such as sustainability, corporate citizenship, business ethics, stakeholder management, corporate responsibility, and corporate social performance, are vying to replace it. In different ways, these expressions refer to the ensemble of policies, practices, investments, and concrete results deployed and achieved by a business corporation in the pursuit of its stakeholders’ interests.

There is no single CSR business case—no single rationalisation for how CSR improves the bottom line. Over the years, researchers have developed many arguments. In general, these arguments can be grouped based on approach, topics addressed, and underlying assumptions about how value is created and defined. According to this categorization, CSR is a viable business choice as it is a tool to:

- implement cost and risk reductions;
- gain competitive advantage;
- develop corporate reputation and legitimacy; and
- seek win-win outcomes through synergistic value creation.

Question 5. Explain the reality of social responsibility.

Answer: 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:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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 any more.
7. 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.

Question 6. "A business owes certain obligations towards different groups." Identify those groups and explain the obligation of business towards those groups.

Or

Explain social responsibility of a business towards different interest groups.

Answer: Social responsibility of government towards different groups is explained below:

1. Shareholders or investors: Social responsibility of business towards its shareholders or investors is most important of all other obligations.  
If a business satisfies its funders, they are likely to invest more money in a project. As a result, more funds will flow in and the same can be utilised to modernize, expand and diversify the existing activities on a larger scale. Happy financiers can fulfill the rising demand of funds needed for its growth and expansion.
2. Personnel: Social responsibility of business towards its personnel is important because they are the wheels of an organization. Without their support, the commercial institution simply can't function or operate.  
If a business takes care of the needs of its human resource (for e.g. of office staff, employees, workers, etc.) wisely, it will boost the motivation and working spirit within an organization. A happy employee usually gives his best to the organization in terms of quality labour and timely output than an unsatisfied one. A pleasant working environment helps in improving the efficiency and productivity of working people. A good remuneration policy attracts new talented professionals who can further contribute in its growth and expansion.  
Thus, if personnel are satisfied, then they will work together very hard and aid in increasing the production, sales and profit.
3. Consumers or customers: Social responsibility of business towards its consumers or customers matters a lot from sales and profit point of view. Its success is directly dependent on their level of satisfaction. Higher their rate of satisfaction greater is the chances to succeed.  
If a business rolls out good-quality products and/or delivers better quality services that too at reasonable prices, then it is natural to attract lots of customers. If the quality-price ratio is maintained well and consumers get worth for their money spends, this will surely satisfy them. In the long run, customer loyalty and retention will grow, and this will ultimately lead to profitability.
4. Government: Social responsibility of business towards government's regulatory bodies or agencies is quite sensitive from the license's point of view. If permission is not granted or revoked abruptly, it can result in huge losses to an organization. Therefore, compliance in this regard is necessary.  
Furthermore, a business must also function within the demarcation of rules and policies as formulated from time to time by the government of state or nation. It should respect laws and abide by all established regulations while performing within the jurisdiction of state.  
Some examples of activities a business can do in this regard:  
(a) Licensing an organization,  
(b) Seeking permissions wherever necessary,  
(c) Paying fair taxes on time,  
(d) Following labour, environmental and other laws, etc.  
(e) If laws are respected and followed, it creates goodwill of business in the eyes of authorities. Overall, if a government is satisfied it will make favourable commercial policies, which will

ultimately open new opportunities and finally benefit the organization sooner or later.

Therefore, satisfaction of government and local administrative bodies is equally important for legal continuation of business.

5. Local community: Social responsibility of business towards the local community of its established area is significant. This is essential for smooth functioning of its activities without any agitations or hindrances.

A business has a responsibility towards the local community besides which it is established and operates from. Industrial activities carried out in a local area affect the lives of many people who reside in and around it. So, as a compensation for their hardship, an organization must do something or other to alleviate the intensity of suffering.

- (a) As a service to the local community, a business can build.
- (b) A trust-run hospital or health centre for local patients.
- (c) A primary and secondary school for local children.
- (d) A diploma and degree college for local students.
- (e) An employment centre for recruiting skilled local people, etc.

Such activities to some extent may satisfy the people that make local community and hence their changes of agitations against an establishment are greatly reduced. This will ensure the longevity of a business in the long run.

6. Environment: Social responsibility of business with respect to its surrounding environment can't be sidelined at any cost. It must show a keen interest to safeguard and not harm the vitality of the nature. A business must take enough care to check that its- activities don't create a negative impact on the environment. For example, dumping of industrial wastes without proper treatment must be strictly avoided. Guidelines as stipulated in the environmental laws must be sincerely followed. Lives of all living beings are impacted either positively or negatively depending on how well their surrounding environment is maintained (naturally or artificially). Humans also are no exception to this. In other words, health of an environment influences the health of our society. Hence, environmental safety must not be an option else a top priority of every business.

7. Community: Finally, social responsibility of business in general can also contribute to make the lives of people a little better.

8. Some examples of services towards public include: (a) Building and maintaining devotional or spiritual places and gardens for people,
- (b) Sponsoring the education of poor meritorious students,
- (c) Organizing events for a social cause, etc.
- (d) Such philanthropic actions create a goodwill or fame for the business organization in the psyche of general public, which though slowly but ultimately pay off in the due course of time.

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