



Business Studies Notes PDF

On

*Social Responsibilities of Business and
Business Ethics*

(Class - 11 / Chapter- 6)

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 the resources of society and earn money from the members of society so they must do something for the society.

Need for Social Responsibility

Arguments in favour of Social Responsibility:

There is a need for Social Responsibility of business for Existence and Growth:

- 1. 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.
- 2. 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.
- 3. Avoids Government Regulation:** Regulations from the government are unwelcomed since they restrict one's freedom. Businessmen are thought to be able to escape the problem of government restrictions by voluntarily taking on social duties, hence reducing the need for new legislations. The Central Pollution Control Board, for example, is in charge of environmental pollution issues.
- 4. Availability of resources with business:** Business has valuable financial and human resources which can be effectively used for solving problems of the society.
- 5. Professionalisation and Better environment:** Management is becoming more professional, which is helping businesses become more socially oriented. Managerial ethics bind them to societal ideals and a growing sense of social responsibility. A society with fewer difficulties creates a better environment for a company to operate in.
- 6. 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 such social problems.

Arguments against Social Responsibility:

- 1. Violation of Profit Maximization:** Profit maximization is the sole purpose of business. As a result, any discussion of social responsibility is incompatible with this goal. Profit maximization through higher efficiency and lower costs is the best way for business to fulfill its social obligation.
- 2. Burden on consumers –** Involvement of business in social responsibilities involve a lot of expenditure which will ultimately be borne by the customers.
- 3. Lack of Social Skills:** Business people lack the essential knowledge and training to solve social issues. Instead, other specialized agencies need to deal with social issues.

4. Lack of public support – Generally the public does not like business involvement in social problems. Therefore, businesses cannot fulfill social responsibility because of lack of public confidence & cooperation.

Reality of Social Responsibility

1. Threat of Public Regulation:

- To protect the public's interests, actions are taken to control business enterprises that operate in a socially irresponsible manner.
- One of the main reasons why businesses are concerned about social responsibility is the fear of government regulation.

2. Pressure of Labour Movement:

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

3. Impact of Consumer Consciousness:

- With the advancement of education and mass media, as well as increased market competition, the customer has become more aware of his rights and powers in influencing market dynamics.
- Now that the consumer is king, businesses have begun to take a customer-centric approach.

4. Development of Social Standard for Business:

- New social standards recognise corporate firms' economic activity as acceptable, but only if they also serve social requirements.
- There is no way to run a business without interacting with the rest of the world.

5. Development of Business Education:

- The expansion of business education, with its strong social responsibility content has increased public awareness of business's social mission.

6. Relationship between Social Interest and Business Interest:

- Social and business goals are no longer mutually exclusive, according to business enterprises. Infact, they are a good match for each other.
- The long-term benefit of business is in providing good service to society.

7. 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 with fulfilling a variety of societal interest groups than with simply meeting profit targets when it comes to running their businesses successfully.

Kinds of Social Responsibility

1. Economic Responsibility: The primary social obligation of a business enterprise is the economic responsibility, i.e., to produce things and services that society desires and sells them for a profit.

2. Legal Responsibility: Every business has a legal obligation to follow the rules of the land. A business, who abides to the laws and regulations of the country, is also a socially responsible business.

3. Ethical Responsibility: Described as the behaviour that is expected by society but not codified in law. Performance of this task includes some voluntary action.

4. Discretionary Responsibility: It is the responsibility of the company to protect the capital investment by avoiding speculative activity and engaging in only healthy business initiatives that provide good returns on investment, such as charities, donations etc.

SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS

Business has Interaction with several interest groups such as shareholders, workers, consumers, government and community. Business is responsible to all these groups.

1. Responsibility towards shareholders:

- (i) To ensure a fair and regular return on the investment of shareholders.
- (ii) To ensure the safety of their investment
- (iii) To strengthen the financial position of the company.
- (iv) To safeguard the assets of the business.
- (v) To protect the interest of all types of investors in the business.

2. Responsibility Towards Workers:

- (i) The correct kind of working circumstances to provide in order to gain workers' cooperation.
- (ii) The company must respect the workers' democratic freedom to form unions.
- (iii) The employee must also be guaranteed a fair wage and a fair deal from the employer.

3. Responsibility toward consumers:

- (i) To supply the right quality of goods & services at reasonable prices.
- (ii) To ensure regular and adequate supply of products.
- (iii) To inform them about new products and new uses of existing products.
- (iv) To handle the customer's grievance promptly.

4. Responsibility Towards the Government and the Community:

- (i) An enterprise must follow the rules of the country and pay taxes on time and in full.
- (ii) It must also act as a good citizen and adhere to the society's acceptable norms.

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 the result of industrial production is. So, protection of the environment is a must.

Causes of Pollution

- 1. Air Pollution-** It is primarily due to carbon monoxide emitted by automobiles, as well as smoke and other chemicals emitted by manufacturing industries, which contribute to air pollution. As a result of the pollution, a hole in the ozone layer has formed, causing severe global warming.
- 2. 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.
- 3. Land Pollution-** Land contamination occurs when toxic wastes are dumped on it. This degrades the land's quality, rendering it unsuited for agriculture or planting.
- 4. Noise Pollution:** Caused by the running factories and vehicles. Noise pollution can be responsible for many diseases like loss of hearing, violent behaviour and mental disorder.

NEED FOR POLLUTION CONTROL

- 1. To ensure a healthy life** – Many diseases like cancer, heart attack and lung complications are all caused by pollutants in the environment. Pollution control is a must to keep a check on these diseases.
- 2. Reduced 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. To avoid the possibility of responsibility, businesses must install pollution control systems on their premises.
- 3. Economic Losses-** Pollutants in the environment bringing heavy economic losses for the country, for example Taj Mahal is losing its beauty due to pollution.
- 4. Improved Public Image-** A company that promotes environmental causes will have a positive reputation and be seen as a socially responsible business.
- 5. 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 ENVIRONMENTAL PROTECTION:

- 1.** Eco-friendly and clean or low waste technology should be used by industrial organizations.
- 2.** Industrial Wastes should be recycled as far as possible.
- 3.** Plant and machinery should be modernized to minimize pollution.
- 4.** The business houses should comply with the laws and regulations enacted for prevention of pollution.

5. Positive steps should be taken to save the environment. These include plantation of trees, cleaning of rivers, ponds etc.

Business Ethics

Ethics is concerned with determining what is acceptable and wrong in human behaviour based on a standard form of individual conduct/behaviour as approved by society in a particular sector 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 companies are profitable. Ethical corporate conduct boosts a company's public image, earns people's trust, and leads to better success.

ELEMENTS OF BUSINESS ETHICS

- 1. Top management commitment** – The CEO and higher level managers must be committed to ethical norms of behavior. This would set an example for all employees and encourage them to follow ethical practice.
- 2. Publication of a 'Code'**- Define the principles of conduct for the entire organization in the form of written papers known as the "code." This includes topics such as basic honesty and obedience to regulations, product safety and quality, workplace health and safety, conflicts of interest, and employment practices, among others.
- 3. 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.
- 4. Involving Employees at All Levels** - Because it is employees at all levels who execute the policies relating to ethics and make ethical business a reality. Hence, their participation as ethics programmers becomes essential.
- 5. Measuring results:** Although it is difficult to measure the ethical results but it must be verified and audited that work is being carried according to ethical standards.

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