

Lesson 4

Social Responsibilities of Business

You know that business is an economic activity, which is carried out on a regular basis to earn profit. However, you must have seen businessmen spending money on different aspects, which is not going to give them any profit straightway. For example, you must have seen businessmen maintaining and developing gardens and parks on streets and squares in cities. Some businessmen engage themselves in research for improving the quality of products; some provide housing, transport, education and health care to their employees and their families. In some places businessmen provide free medical facility to poor patients. Sometimes they also sponsor games and sports at national as well as international level. Did you ever wonder why they do so?

Let us learn more about why businessmen engage themselves in such activities.

4.1 Objectives

After studying this lesson, you will be able to:

- explain the concept of social responsibility of business;
- appreciate the importance of social responsibility;
- recognize the responsibility of business towards different interest groups;
- explain the concept of social values and business ethics;
- identify the causes of environmental pollution; and
- describe the role of business in preventing and controlling environmental pollution.

4.2 What is Social Responsibility

In your daily life, you perform a number of activities. For example, brushing your teeth, listening to your parents, showing respect to elders obeying traffic rules on road etc. Now

why do you perform all these activities? It is because you live in a family as well as in a society and the members of your family as well as the society want you to do all of them. They do several things for you and expect something from you, which you must do. The expectations of the family or society become your obligations, which you need to fulfill. For example, taking care of your parents or children, keeping the road clean by not throwing garbage on it, etc. There are also obligations towards yourself, which you need to fulfill. For example, taking food timely, going to sleep early at night, etc. that keep you fit and takes care of your health. Now you fulfill all these obligations by performing certain activities which are called your responsibilities. Any responsibility you have, particularly towards members of the society with whom you interact or towards the society in general, are called your social responsibility.

The obligation of any business to protect and serve public interest is known as social responsibility of business

This is true in case of business also. As we know, every business operates within a society. It uses the resources of the society and depends on the society for its functioning. This creates an obligation on the part of business to look after the welfare of society. So all the activities of the business should be such that they will not harm, rather they will protect and contribute to the interests of the society. Social responsibility of business refers to all such duties and obligations of business directed towards the welfare of society. These duties can be a part of the routine functions of carrying on business activity or they may be an additional function of carrying out welfare activity.

Let us take an example. A drug-manufacturing firm undertakes extensive research and thus, produces drugs which are qualitatively superior. It also provides scholarships or fellowships to the family members of its employees for studying abroad. We find, in both the cases, the drug-manufacturing firm is carrying out its social responsibility. In case of the former, it is a part of its routine business function while in the latter case it is a welfare function.

4.3 Concept of Social Responsibility

We all know that people engage in business to earn profit. However, profit making is not the sole function of business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the environment properly etc.

However, while doing so two things need to be noted to view it as social responsibility of business. First, any such activity is not charity. It means that if any business donates some amount of money to any hospital or temple or school and college etc., it is not to be considered as discharge of social responsibility because charity does not imply fulfilling responsibility. Secondly, any such activity should not be such that it is good for somebody and bad for others. Suppose a businessman makes a lot of money by smuggling or by cheating customers, and then runs a hospital to treat poor patients at low prices his actions cannot be socially justified. Social responsibility implies that a businessman should not do anything harmful to the society in course of his business activities.

Thus, the concept of social responsibility discourages businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit. Instead, it encourages them to earn profit through judicious management of the business, by providing better working and living conditions to its employees, providing better products, after sales-service, etc. to its customers and simultaneously to control pollution and conserve natural resources.

4.4 Why should business be socially responsible

Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of the different interest groups. As you have already learnt, the interest groups may be owners, investors, employees, consumers, government and society or community. But the question arises, why should the business come forward and be responsible towards these interest groups. Let us consider the following points:

- i. **Public Image** - The activities of business towards the welfare of the society earn goodwill and reputation for the business. The earnings of business also depend upon the public image of its activities. People prefer to buy products of a company that engages itself in various social welfare programmes. Again, good public image also attracts honest and competent employees to work with such employers.
- ii. **Government Regulation** - To avoid government regulations businessmen should discharge their duties voluntarily. For example, if any business firm pollutes the environment it will naturally come under strict government regulation, which may ultimately force the firm to close down its business. Instead, the business firm should engage itself in maintaining a pollution free environment.
- iii. **Survival and Growth** - Every business is a part of the society. So for its survival and growth, support from the society is very much essential. Business utilizes the available resources like power, water, land, roads, etc. of the society. So it should be the responsibility of every business to spend a part of its profit for the welfare of the society.
- iv. **Employee satisfaction** - Besides getting good salary and working in a healthy atmosphere, employees also expect other facilities like proper accommodation, transportation, education and training. The employers should try to fulfill all the expectation of the employees because employee satisfaction is directly related to productivity and it is also required for the long-term prosperity of the organisation. For example, if business spends money on training of the employees, it will have more efficient people to work and thus, earn more profit.
- v. **Consumer Awareness** - Now-a-days consumers have become very conscious about their rights. They protest against the supply of inferior and harmful products by forming different groups. This has made it obligatory for the business to protect the interest of the consumers by providing quality products at the most competitive price.

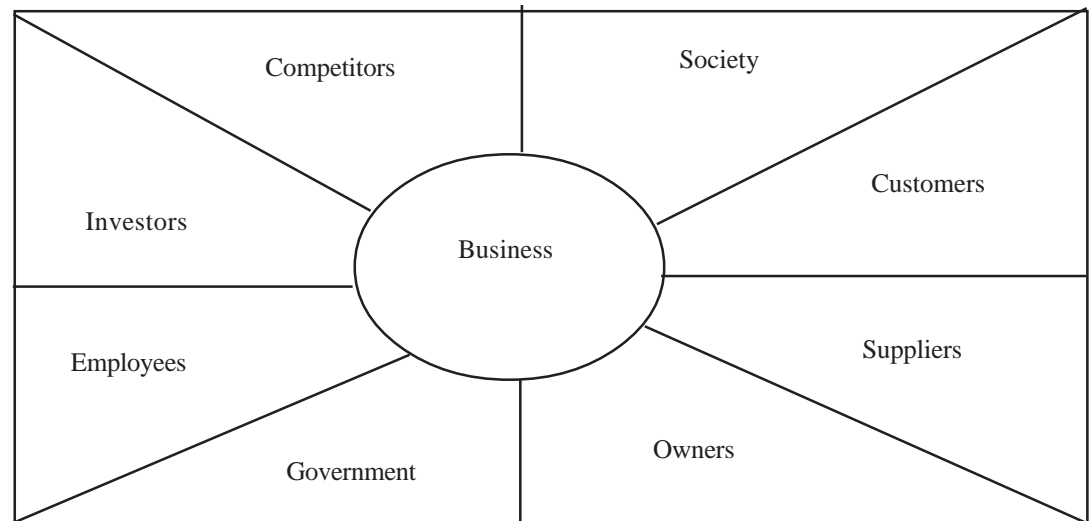
Intext Questions 4.1

- I. Fill in the blanks with appropriate words.
 - i) Every business operates within a _____.

- ii) Social responsibility of business refers to all such duties and _____ of business that are directed towards the welfare of society.
 - iii) Giving good return to the investors by providing _____ goods at high price to consumers is not fulfilling social responsibility.
 - iv) To avoid government regulations business houses should discharge their duty _____.
 - v) The earnings of business depend upon the public _____ of its activities
- II. Give the meaning of social responsibility of business in your own words.

4.5 Responsibility Towards Different Interest Groups

After getting some idea about the concept and importance of social responsibility of business let us look into the various responsibilities that a business has towards different groups with whom it interacts. The business generally interacts with owners, investors, employees, suppliers, customers, competitors, government and society. They are called as interest groups because by each and every activity of business, the interest of these groups is affected directly or indirectly.



Responsibility of Business Towards Different Interest Groups.

i. Responsibility towards owners

Owners are the persons who own the business. They contribute capital and bear the business risks. The primary responsibilities of business towards its owners are to:

- a. Run the business efficiently.

- b. Proper utilisation of capital and other resources.
- c. Growth and appreciation of capital.
- d. Regular and fair return on capital invested.

ii. Responsibility towards investors

Investors are those who provide finance by way of investment in debentures, bonds, deposits etc. Banks, financial institutions, and investing public are all included in this category. The responsibilities of business towards its investors are :

- a. Ensuring safety of their investment,
- b. Regular payment of interest,
- c. Timely repayment of principal amount.

iii. Responsibility towards employees

Business needs employees or workers to work for it. These employees put their best effort for the benefit of the business. So it is the prime responsibility of every business to take care of the interest of their employees. If the employees are satisfied and efficient, then the only business can be successful. The responsibilities of business towards its employees include:

- a. Timely and regular payment of wages and salaries.
- b. Proper working conditions and welfare amenities.
- d. Opportunity for better career prospects.
- e. Job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits, etc.
- f. Better living conditions like housing, transport, canteen, crèches etc.
- g. Timely training and development.

iv. Responsibility towards suppliers

Suppliers are businessmen who supply raw materials and other items required by manufacturers and traders. Certain suppliers, called distributors, supply finished products to the consumers. The responsibilities of business towards these suppliers are:

- a. Giving regular orders for purchase of goods.
- b. Dealing on fair terms and conditions.
- c. Availing reasonable credit period.
- d. Timely payment of dues.

v. Responsibility towards customers

No business can survive without the support of customers. As a part of the responsibility of business towards them the business should provide the following facilities:

- a. Products and services must be able to take care of the needs of the customers.
- b. Products and services must be qualitative
- c. There must be regularity in supply of goods and services

- d. Price of the goods and services should be reasonable and affordable.
- e. All the advantages and disadvantages of the product as well as procedure to use the products must be informed do the customers.
- f. There must be proper after-sales service.
- g. Grievances of the consumers, if any, must be settled quickly.
- h. Unfair means like under weighing the product, adulteration, etc. must be avoided.

vi. Responsibility towards competitors

Competitors are the other businessmen or organizations involved in a similar type of business. Existence of competition helps the business in becoming more dynamic and innovative so as to make itself better than its competitors. It also sometimes encourages the business to indulge in negative activities like resorting to unfair trade practices. The responsibilities of business towards its competitors are

- i. not to offer exceptionally high sales commission to distributors, agents etc.
- ii. not to offer to customers heavy discounts and /or free products in every sale.
- iii. not to defame competitors through false or ambiguous advertisements.

vii. Responsibility towards government

Business activities are governed by the rules and regulations framed by the government. The various responsibilities of business towards government are:

- a. Setting up units as per guidelines of government
- b. Payment of fees, duties and taxes regularly as well as honestly.
- c. Not to indulge in monopolistic and restrictive trade practices.
- d. Conforming to pollution control norms set up by government.
- h. Not to indulge in corruption through bribing and other unlawful activities.

viii. Responsibility towards society

A society consists of individuals, groups, organizations, families etc. They all are the members of the society. They interact with each other and are also dependent on each other in almost all activities. There exists a relationship among them, which may be direct or indirect. Business, being a part of the society, also maintains its relationship with all other members of the society. Thus, it has certain responsibilities towards society, which may be as follows:

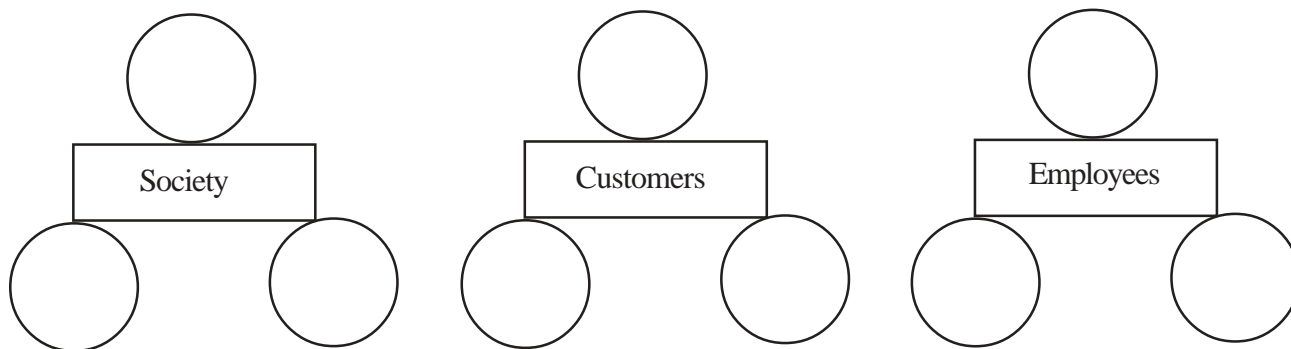
- a. to help the weaker and backward sections of the society
- b. to preserve and promote social and cultural values
- c. to generate employment
- d. to protect the environment
- e. to conserve natural resources and wildlife
- f. to promote sports and culture
- g. to provide assistance in the field of developmental research on education, medical science, technology etc.

Intext Questions 4.2

Following are the various responsibilities of business towards the different interest group as discussed above.

- i. Protection of environment.
- ii. Better living conditions like housing, transport, canteen, crèches etc.
- iii. Promotion of sports and culture.
- iv. Opportunity for better career prospects
- v. Regular supply of goods and services
- vi. Proper working conditions and welfare amenities
- vii. Goods and services at reasonable and affordable price.
- viii. Prompt after sales services.
- ix. Conservation of natural resources and wildlife.

Relate the above social responsibilities of business to the following interest groups by writing their serial number in the empty circles:



4.6 Social Values and Business Ethics

Every society generally views certain activities, conduct and behaviour of its members to be undesirable or harmful to others. Similarly, desirable acts and conduct of people are recognised and appreciated in society. Social values refer to the general recognition in society about which acts are good and desirable on the part of people and which acts are not. In relation to business, social values of business may indicate:

- a. the characteristics of good business;
- b. objectives which are desirable for business to follow; and
- c. the manner in which business activities should be conducted in the interest of society.

For example, we consider it bad, if any business indulges itself in selling adulterated goods or charging higher price or polluting the environment. Thus, social values of the business form the base for social responsibilities.

Ethics refers to conduct and activities of people based on moral principles. Honesty, truthfulness, compassion, sympathy, feeling of brotherhood etc. are considered ethical. Business can also be guided by certain moral principles say, running the business without adopting unfair practices, being honest and truthful about quality of goods, charging fair prices, abiding to laws, paying taxes, duties and fees to the government honestly. The basic question underlying business ethics is whether business should aim at earning profit by any means? Obviously, not. Thus, businessmen should charge only fair price for the goods and services supplied, never sell adulterated products as pure. Indeed business ethics suggest certain principles to conduct business so as to be morally justified. Just like social values, business ethics also play a major role while fulfilling social responsibilities.

4.7 Environmental Pollution and Role of Business

To preserve the society it is important to protect the environment. And, therefore, every business must take measures to protect the environment rather than damaging it. In this section let us learn more about different types of environmental pollution and role of business.

Pollution simply means presence of any unwanted substance that creates inconvenience in the natural behaviour of living and non-living matter.

Nature has given us air, land including mountains, hills, forests etc. and water in the form of rivers, lakes, sea etc., which create an environment in which we live. Our health and well being largely depend on the quality of such environment. However, it is observed that the quality of this environment is deteriorating day by day. We are getting neither pure water to drink nor clean air to breathe. We are having untimely rains, storms, cyclones, floods, extended summer, etc. We are also suffering from various diseases because of such lower quality of environment. When the quality of environment deteriorates, it is said that the environment is getting polluted. Thus, environmental pollution refers to contamination of environment by various substances that have adverse effects on living and non-living matters.

Environmental pollution is of three types:

- i) Air pollution,
- ii) Water pollution, and
- iii) Land Pollution.

Let us have a brief discussion about these three types of pollution.

i. Air Pollution

As we know the air we breathe contains several gases, dust particles etc. Our body mechanism helps us in filtering the unwanted ones and retaining those required for our survival. However, if there is an imbalance in the proportion of gases and dust particles in air, beyond a certain point, our body mechanism fails to filter them and we face problem. This is also true in case of other natural things like forests, river etc. Thus, air pollution refers to the presence of any unwanted gases, dust particles etc. in the air, that can cause damage to people as well as nature.

Causes of Air Pollution

Let us know how air gets polluted. Some of the common causes of air pollution are-

- i. Emission of fumes from vehicles.

- ii. Emission of smoke dust and chemicals from manufacturing plants.
- iii. Emission of gases and dust arising from atomic plants
- iv. Emission of smoke from oil refineries, burning of trees and plants in forests, burning of coal, etc.

Impact of Air Pollution

Air pollution has a lot of impact on our surroundings and on us. Some of them are-

- Presence of gases in air, which are not required by human beings, animals and birds, creates serious health problems. It can create diseases like asthma, cough and cold, blindness, hearing loss, skin disease etc. It also causes genetic disorders. In the long run and in extreme cases it can also be fatal.
- Air Pollution creates smog in the winter, which is caused by smoke and dust when they mix with fog. It reduces natural visibility and irritates the eyes and respiratory tract.
- Ozone layer is a protective layer of gases around our earth, which protects us from harmful ultraviolet rays that come from the sun. It gets depleted because of air pollution and thereby causes gene mutation, genetic defects and skin cancer.
- The temperature of the earth increases due to air pollution. This is because whatever heat our earth receives from the sun is not radiated to the atmosphere due to the excessive presence of gases like carbon dioxide, methane, nitrous oxide, etc.
- Air pollution causes acid rain which means excessive presence of various poisonous gases like sulphur dioxide, nitrogen oxide etc. in the rainwater. This causes lot of damage to vegetation, trees and marine life, buildings and monuments etc.

Environment is also polluted through excessive noise, known as **Noise Pollution**. Noise simply means an unwanted sound that causes irritation. It is caused by modern machines and gadgets such as rail engines, loud speakers, generators, aeroplanes, vehicles, machineries, telephones, televisions etc. It initially distorts communication process, but prolonged exposure to noise pollution can cause loss of hearing, headache, irritation, high blood pressure, neurological or psychological disorders, etc.

b. Water Pollution

Have you seen river Yamuna near Delhi? Are you aware about the clean Ganga project? These two questions almost immediately remind us about the extent to which the water of our rivers has been polluted. Water pollution refers to contamination of water due to presence of unwanted and harmful substances thus, making water unfit for use.

Causes of Water Pollution

The various reasons of water pollution are-

- i. Drainage of human excreta into rivers, canals etc.
- ii. Improper sanitation and sewage system.
- iii. Dumping of wastes and effluents by various industrial units into the rivers and canals.
- iv. Drainage of toxic substances like chemicals and fertilizers used in cultivation, into streams and rivers.

- v. Dumping of garbage, dead bodies and almost every thing used in rituals to the nearby water source by households.

Effects of Water Pollution

The effects of water pollution are:

- a. It can create health hazards among human beings, animals and birds. Diseases like typhoid, jaundice, cholera, gastroentytis etc. are common.
- b. It can endanger lives of various aquatic species.
- c. It can lead to scarcity of drinking water as the water of rivers and canals as well as underground water get polluted.

Intext Questions 4.3

I. Fill in the blanks with appropriate word (s) from the text

- i. Our behaviour should not be _____ to others.
- ii. Desirable acts and conduct of the people are recognised and _____ in society.
- iii. Business ethics do not permit the business to sell _____ goods.
- iv. Social values form the _____ for social responsibilities.
- v. Paying taxes to the government honestly and regularly is guided by _____.

II. Match the followings

Column A	Column B
1. Environmental Pollution	i) Mixture of smoke, dust and fog.
2. Air Pollution	ii) Responsible for noise pollution
3. Water Pollution	iii) Presence of unwanted substances in the atmosphere causing inconvenience.
4. Smog	iv) Imbalance in the proportion of gases and dust particles in air
5. Aeroplanes	v) Contamination of water due to excessive presence of harmful substances.

c. Land Pollution

Land Pollution refers to dumping of useless, unwanted as well as hazardous substances on the land that degrades the quality of soil we use. Our land gets polluted because of the human carelessness towards the soil.

Causes of Land Pollution

The main causes of land pollution are:

- (i) Excessive use of fertilizers, chemicals and pesticides in cultivation.
- (ii) Disposal of solid waste of industries, mines and quarries.
- (iii) Disposal of solid waste from construction of roads, buildings etc.

- (v) Effluents of some plants like paper, sugar etc. which are not absorbed by soil.
- (vi) Excessive use of plastic bags, which are non-biodegradable.
- (vii) Dumping of non-composable wastes from households, hotels and hospitals as well as from industries. These may include combustible items like plastic, cloth, wood etc., and non-combustible items like metal, glass, ceramics, cement etc.

Effects of Land Pollution

Land Pollution has the following harmful effects-

- a. Reduces the quantum of cultivable land area.
- b. Causes health hazards as it contaminates the sources of food.
- c. Causes damage to the landscape.
- d. Leads to water and air pollution.

4.8 Role of Business in Environmental Pollution

From the above discussion on environmental pollution, one thing can clearly be seen that, it is business that mainly contributes to all sorts of pollution -air, noise, water and land.

Business causes pollution in the following ways:

- Emission of gas and smoke from manufacturing plants;
- Use of machines, vehicles etc. contributing to noise pollution;
- Deforestation due to acquisition of forest lands for setting up plants;
- Growth of urbanization and industrialization;
- Disposal of wastes and effluents into rivers and canals;
- Disposal of solid wastes in the open space;
- Mining and quarrying activities; and
- Increasing use of transport.

Government has taken a major step in protecting the environment by passing the Environment Protection Act, 1986 in addition to having Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and several other Acts. Business can equally be instrumental in fighting pollution and protecting the environment. Business can have three types of role - preventive, curative and awareness.

i. Preventive Role

It means business should take all steps so that no further damage is done to the environment. For this, business must follow the regulations laid down by government to control pollution. For example, more and more environmental friendly products can be produced, filters can be used in chimneys; silencers can be fitted in generators; instead of dumping industrial wastes into river and land it can be treated properly for further productive use etc. Businessmen should come forward to play a major role in preventing further damage done to the environment by human beings. Sulabh International is the leading example of how to provide proper sanitation facilities to the public.

ii. Curative Role

It means business should rectify whatever damage has been done to the environment. In addition, if it is not possible to prevent pollution then simultaneous curative measures can be taken. For example, planting of trees (afforestation programmes) can substantially reduce air pollution near the industrial area.

iii. Awareness Role

It means making people (both the employees as well as the general public) aware about the causes and consequences of environmental pollution so that they voluntarily try to protect rather than damage the environment. For example, business can undertake public awareness programmes. Now-a-days, we find that some business houses have taken the responsibilities to develop and maintain parks and gardens in cities and towns, which shows that they care for the environment.

Intext Questions 4.4

Which of the following statements are true and which are false.

- a. Excessive use of fertilizer, chemicals and pesticides in cultivation causes air pollution.
- b. Excessive use of plastic bags causes land pollution.
- c. Plantation near industrial areas helps reduce water pollution.
- d. Land pollution increases the quantum of cultivable land in our country.
- e. Business houses should make the people aware about the causes and consequences of environmental pollution.

4.9 What You Have Learnt

- Social responsibility of business refers to all duties and obligations of business directed towards the welfare of society.
- Understanding social responsibilities properly is essential for businessmen as:
 - it creates a goodwill for the business among the public.
 - it fosters long-term survival and growth of business.
 - it provides satisfaction to the employees which is directly related to productivity
 - consumer have become conscious about their rights.
- Every business is a part of society and the business is responsible towards every elements of the society, which may be called as various interest groups. These interest groups consist of owners, investors, employees, suppliers, costumers, competitors, government and society.
- Social values may indicate good and desirable business conduct in the best interest of society.

- Business ethics suggest ways and means to conduct the business affairs according to morally justified principles.
- Environmental pollution refers to contamination of environment by substances that have adverse effects on living and non-living matter.
- Environmental pollution is of three types:
 - i. Air pollution,
 - ii. Water pollution, and
 - iii. Land Pollution
- Every business has three types of roles to play for the control of environmental pollution - preventive, curative and awareness roles.

4.10 Terminal Exercise

1. What is meant by social responsibilities of business?
2. State the interest groups with whom business interacts in its day-to-day activities.
3. Why should business be responsible to the society? Give any three reasons.
4. State the responsibilities of business towards customers.
5. In what way should the business be responsible to the government?
6. Explain the importance of social responsibility of business.
7. What is meant by social values in business?
8. Define environmental pollution and state the types of environmental pollution.
9. Explain the various causes of air pollution.
10. State three important impacts of air pollution.
11. What are the effects of water pollution?
12. Describe the role of business in preventing environmental pollution.
13. How does business pollute the environment? State any five points.
14. What are the different roles businessmen should play to reduce environmental pollution.

4.11 Key to Intext Questions

- 4.1** I. i. Society; ii. Obligations; iii. Inferior; iv. Voluntarily; v. image
- 4.2** Society: i, iii, ix
Employees ii, iv, vi
Customers v, vii, viii
- 4.3** I. i. harmful; ii. appreciated; iii. adulterated; iv. base; v. business ethics
II. 1. - iii, 2. - iv, 3. - v, 4. - i, 5. - ii
- 4.4** True- b, e; False- a, c, d

Activity For You

1. Identify any two responsibilities which should be taken by the shopkeepers of your locality, for the welfare of the society.
2. Is your environment polluted? If yes, then make a list of the causes of such pollution. What action would you like to suggest to prevent environmental pollution?