



## **SOCIAL RESPONSIBILITIES OF BUSINESS**

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### **ABSTRACT**

Business enterprises exist to satisfy needs of the society. It is the society that provides them the inputs and serves as the market for their produce. Social responsibility can be said to be the obligation on the part of business enterprises to protect and promote society’s welfare. The basic requisites expected in this regard are trust, honesty, integrity, transparency and compliance with the laws of the land. The Ministry of Corporate affairs, Government of India, issue guidelines regarding Corporate Social Responsibility.

**Key words:** Business, Corporate Social responsibility, Environment impact, Environmental Management, Human Rights, Stakeholders

### **INTRODUCTION**

Every Business is started mainly for profit-maximisation. So formulation of business objectives, plans, policies and programmes emphasis on the economic conceptie the monetary benefits. Apart from that, every businessman must Social responsibility. Social responsibility implies meeting social obligations. The activities of businesses should be organized in such a way that the society is benefited. Business enterprises exist to

satisfy needs of the society. It is the society that provides them the inputs and serves as the market for their produce. All business enterprises are dependent on the society.

### **MEANING**

Social responsibility refers to the voluntary efforts on the part of the business to contribute to the social well-being. The businesses use resources of the society so they must give something back

to the society. Every Corporate Enterprise or the Businessman should realize importance of Society welfare and do good for the people living in the Society. The basic requisites expected are trust, honesty, integrity, transparency and compliance with the laws of the Land.

### **DEFINITION**

According to Peter F Druker, “Social responsibility requires managers to consider whether their actions are likely to promote the public good, to advance the basic belief of society, to contribute to its stability strength and harmony.”

“Social responsibilities refer to the obligation (of businessmen) to pursue those policies, to make those decisions, or to follow those lines of action which are desirable, in terms of objectives and values of society.” —Howard R. Bowen

### **NEED AND IMPORTANCE OF SOCIAL RESPONSIBILITY**

- The existence of any business is to satisfy consumer needs. Consumers are part of the society and any business that needs to survive in the long run must respond and provide for society’s needs.
- The society provides the inputs and serves as the market for the output of business. Business rewards the inputs provided by the society in the form of interest, rent, wages etc., and earns

profit by selling the output to the society.

- Business and society enjoy a mutual benefit with good relationship.
- Business has to protect and promote society’s welfare if it wishes to survive and prosper. A prosperous society is a necessary condition for profitable business.
- The Business earns Reputation by strengthening their image, attraction of talent and sustained growth.
- Society expects every businessman to be a responsible citizen and contribute towards welfare of the Society.
- It is duty of every businessman to look after the burning issues of the Society such as environmental pollution, contamination of water resources, depletion of the ozone layer.
- It is in the Self-interest of the businessman to do something for society which gives bread and butter for him.
- Social Responsibility is kind of Social power for Businessman.

### **METHODOLOGY**

It is a thematic paper and descriptive in nature. The paper deals with brief history, guidelines regarding Corporate Social Responsibility as said by Ministry of Corporate Affairs Government of India, Carroll Model of CSR,

responsibilities towards the stakeholders and Environmental aspect of Social Responsibility.

### **SOCIAL RESPONSIBILITY IN INDIA**

In 1965, the then Prime Minister of India, Lal Bahadur Shastri, presided over a national meeting that issued the following declaration on the Social Responsibility of Business: “Business has responsibility to itself, to its customers, workers, shareholders and the community, every enterprise, no matter how large or small, must if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions, and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Business must be just and humane, as well as efficient and dynamic.”

“Business cannot succeed in a society that fails”, Corporate Social Responsibility is being considered as an imperative for carrying on business in the society rather than as a charity. While Corporate Social Responsibility is relevant for business in all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging (Sanjay Kumar Panda, 2008).

According to a report by the Centre for Social Markets for the International Finance Corporation (IFC), many leading foreign Multinational Companies and domestic titans, pre-eminently members of the Tata Group, have been standard-setters on core Corporate Social Responsibility issues such as labour conditions, health and safety, environmental management, corporate governance and integrity.

India has a venerable tradition of philanthropy, both individual and business. Tata group is the visionary and more concerned for the welfare of the Society instead of making wealth for them. They never indulge in Alcohol, cigarette, and Entertainment Business.

**“If you want to walk fast walk alone  
If you want to walk far walk together”-  
says Tata**

Indian families such as Tata and Godrej have a significant industry presence and reputation for social responsibility. One of the Tata Group of companies, Tata Steel, is the first in the country to produce a corporate sustainability report and it administers the only industry town in the world, Jamshedpur, which has received the ISO14001 environmental quality certification (Michael Hopling 2008).

Other companies have followed Tata's lead, such as Infosys, Ballarpur

industries Limited, Paharpur Business Park, Ford India, Samsung India Electronics and Cadbury's India. Ministry of Corporate Affairs, Government of India

The Ministry of Corporate affairs, Government of India, has issued some guidelines regarding Corporate Social Responsibility.

### **FUNDAMENTAL PRINCIPLE**

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the board and the CSR policy should normally cover following core elements.

### **CARE FOR ALL STAKEHOLDERS**

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

### **ETHICAL FUNCTIONING**

Their governance systems should be underpinned by Ethics, Transparency, and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

### **RESPECT FOR WORKERS' RIGHTS AND WELFARE**

Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discriminations on any grounds in recruitment and during employment.

### **RESPECT FOR HUMAN RIGHTS**

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

### **RESPECT FOR ENVIRONMENT**

Companies should take to check and prevent pollution, recycle, manage and

reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

### **ACTIVITIES FOR SOCIAL AND INCLUSIVE DEVELOPMENT**

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

### **ADDITIONAL INSTRUCTIONS**

- The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects activities, setting measurable physical targets with timeframe, organisational mechanism and responsibilities, time schedules and monitoring.
- Companies may partner with local authorities, business associations and civil society, non- governmental organisations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development.
- They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects activities from time to time.
- Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or other suitable parameter. The investment in CSR should be project based and for every project time framed periodic mile stones should be finalised at the outset.
- To share experiences and network with other organisations the company should engage with well-established and recognised programmes/ platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies an effectively project the image of being socially responsible. The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large

through their website, annual reports, and other communication media.

- Project activities identified under CSR are to be implemented by Specialised Agencies'. Such specialised agencies would include: Community based organisations whether formal or informal, Elected local bodies such as Panchayats, Voluntary Agencies(NGO), Institutes, Academic organisations Trusts, Self-help groups, Government, Semi-Government and autonomous organisations, Standing Conference of Public Enterprise(SCOPE), Contracted agencies for civil works and the like.

**MODEL OF CSR-THE ARCHIE CARROLL MODEL**

The Carroll’s Corporate Social Responsibility pyramid, a dominant model that has been accepted wide popularity among business and society scholars. Carroll (1991) differentiates Corporate Social Responsibilities into four levels: “economic (required), legal(required), ethical (expected), and discretionary (philanthropy)”.

The Corporate Social Responsibility pyramid was framed to embrace the entire spectrum of society’s expectations of business responsibilities and define them in terms of categories. According to the model, four kinds of

social responsibilities constitute total Corporate Social Responsibility: Economic (“make profit”), Legal (“obey the law”), Ethical (“be ethical”), and Philanthropic (“be a good corporate citizen”).

The foundation upon which all others rest on Carroll’s Corporate Social Responsibility-Pyramid with four kinds of duties, responsibilities for a company (Source: Carroll 1991). The diagrammatic representation of the Model is shown as under:

**THE PYRAMID OF CORPORATE SOCIAL REPSONSIBILITY**

<b>PHILANTHROPIC</b>
<b>Responsibilities</b> Be a good corporate citizen Contribute resources to the community improve quality of life
<b>ETHICAL</b>
<b>Responsibilities</b> Be ethical Obligation to do what is right, just and fair. Avoid Harm
<b>LEGAL</b>
<b>Responsibilities</b> Obey the law Law is society's codification of right and wrong. Play by the rules of the game.
<b>ECONOMIC</b>
<b>Responsibilities</b> Be profitable

## **WAYS/FORMS OF SOCIAL RESPONSIBILITIES**

### **Responsibilities of Business towards Owners/Investors**

- Payment of a reasonable rate of dividend
- Provide owners a true and fair picture and ensure growth
- Protect the interest of minority of members
- Disclose correct information to the prospective investors,

### **Responsibilities of Business towards employees**

- Payment of adequate and timely wages
- Provide congenial work environment
- Provide adequate industrial safety devices
- Ensure job security of the employees
- Provide opportunities for promotion and advancement
- Give humane treatment to workers
- Encourage reasonable workers' participation in management.
- Provide welfare benefits like – subsidized housing, free medical care, leave with pay, entertainment and recreational facilities etc.

### **Responsibilities of business towards consumers**

- Supply goods of high quality at fair prices

- Avoidance of indulging in unfair trade practices like: lesser weight, Defective packing of goods, Black-marketing, hoarding and Adulteration etc.
- Take due care of after-sales services
- Not to indulge in false, misleading and vulgar advertising
- Immediate redress of consumer grievance

### **Responsibilities of Business towards the State or Government**

- Timely payment of legitimate taxes
- Co-operate with the government in the implementation of its economic and social policies
- Supply the required information to government departments, from time to time
- Refrain from corrupting public servants
- Not to indulge in winning political favours for selfish interests.

### **Responsibilities of Business towards Community and Public in General**

- Ensure best utilization of the scarce economic resources of society
- Generation of maximum employment opportunities
- Protect and Control environmental pollution
- Prevent urban congestion

- Undertake programmes for rural development
- Extend their helping hand with the Government in housing, medical, educational and recreational facilities in the society
- Innovate and implement schemes for the uplift of the downtrodden. (eg) Ford Company did a lot of water management project and empowerment of women.

### **Environmental aspects of social responsibility**

- Environmental concern and sustainable development is a key pillar of the corporate social responsibility.
- Environmental Impact-environmental impact refers to the negative effects-overuse of natural, non-renewable resources of energy, pollution, wastage, degeneration of bio-diversity, climate change, deforestation etc.

### **Measuring Environmental Impact**

- Input-Output tables
- Material Input Per Service unit (MIPS)- The MIPS value is calculated by dividing the amount of material with the product or service causes to move
- Ecological footprint- measures the amount of nature's resources

consumed in a given year, and compares it to the resources available in the world.

- Life Cycle Assessment-(LCA or eco balance) is used to assess the environmental performance of a product from raw materials in the beginning of the production process all the way to disposal at the end of use.

### **Environmental Responsibility with Environmental Management**

An environmental management system must provide the best basis for good environmental performance. Quality, health and safety issues can also be integrated into the management system.

Ban plastics, save environment

Save environment, plant trees

Plant trees, save forest

Save forest, get rain

Get rain, save agriculture

Save agriculture, nurture the world

Nurture the world, protect the Humanity

### **CONCLUSION**

UN guidelines and principles on business and human rights are “The State duty to protect, the corporate responsibility to respect and Access to remedy”. Therefore all the Businessmen should ensure that they keep the interest of the society as their most important consideration in all their decisions and actions. Social responsibility of Business is said to be the obligation on the part of

business enterprises to protect and promote society's welfare. At present, we have responsibility of protecting the world from plastics, pollution, ozone layer depletion, and save the Humanity. It is the responsibility of every Businessman to produce environmental and social reports. Corporate social responsibility is one such niche area of Corporate Behaviour and Governance.

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