



## Social Responsibility of a Business

**Beena Sharma\***

Faculty of Commerce, J.S. Hindu (P.G.) College, Amroha, U.P., India  
E-mail: beena.shh@gmail.com

### Abstract

The phrase "social responsibility of a business", implies that business should keep in view the social values and public interest while taking business decisions and actions in addition to economic values. The concept of social responsibility is ill-defined and ill-conceived. It is rather difficult task to implement this concept in the society where various groups viz. religions, trade unions, government etc. not fulfill their own responsibility properly.

**Key Words:** Social Responsibility, Social Values, Public Interest, Economic Values.

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## **1. INTRODUCTION**

No business can be carried on in isolation of the socio-economic and the political environment. Business takes its roots in the prevailing social, technological, political and economic environment. The environment in which an organisation operates has a more or less direct bearing in its objectives and functions. The environment under which a business operates can be classified as under:

- (a) Social-comprising consumer, employees and social institutions which are connected with business.
- (b) Economic-including various economic institutions including different business units or economic institutions with which a firm has to deal.
- (c) Political-relating to the different political institutions of the country including the government and the legislature which regulate business activity and impose different taxes on business income.
- (d) Technological-comprising technological knowhow and innovations available to business.

A business is not a mere commercial or economic unit divorced from the society. It was to be a living organ of the society. The concept of responsibility has gradually developed and has become widely accepted nation in the business world. Society now expects more 'Socially responsible' attitude from business undertakings. Business is indispensable part of the society and gets its manpower and other resources from society. It exists by the implicit approval of the society. It cannot close its eyes towards the society.

The term 'Social responsibility of a business' implies that businessmen should keep in view the social values and public interest while taking business decisions and actions in addition to economic values.

In the words of Howard R. Bowen, "Social Responsibility of a business refers to the obligation of businessmen to pursue those policies, to make those decisions or follow those lines of action which are desirable in terms of the objectives and values of the society." Harold Koonty and Cyclic O'Donnell define, Social responsibility as the personal obligation of people as they act in its own interest, to assure that the rights and legitimate interests of others are not impinged.

Simply, stated social responsibility conveys the idea of social usefulness of the business to the society in general. It conveys that while earning profit for itself the business at the same time gives due attention to the legitimate rights of those segments of the society who come into contact with the business and take proper care of their welfare.

The concept of social responsibility did not pose any problem in the early days of the 19<sup>th</sup> century. Business surely existed for earning profits. Nobody thought that apart from making profits the business should prove its social worth by accepting social obligations. The social awareness was absent. The society was ruled by conservatism, ignorance and superstitions. People were less status conscious. They were peaceful in whatever position they were placed.

The industrial revolution brought about tremendous socio-economic changes throughout the world and no country remained unaffected by its impact. It brought about radical changes in the thinking and outlook of business world, mobility of profession individual level increased. The influence of the family declined as the old institutions crumbled, the social security of the family

occupation and family was lost. This made people demand more from those for which they worked i.e. the industry and the business.

The large-scale business needed a large amount of capital and large number of workers. The profit motive on the part of the businessmen dominated and they started exploiting the labour. This led to the emergence of the labour unions. In the due course these unions played a vital role in awakening social consciousness and the realization of social responsibility by the business. Trade unions played an important role in making the business people realize the need and importance of better wages, improved working conditions and non financial incentives. The development of joint stock companies created a divorce of ownership from the management. Professional management took over the science. The present age is referred as the age of enlightened management. Since this management is not directly concerned with the making of profit, it is mainly in the giving a fair and better deal to these who played a significant role in the operations of the business.

The neglect of social responsibility by business and rise of the idea of socialistic pattern of society made the governments to enter the business field. The fear of government take over i.e. nationalization and other statutory restrictions compelled the business units to think the implement the programmes of social obligations. This ultimately led to the awareness on the part of the general public, its revolt against exploitation and profiteering are used the social consciousness on the business units and their management. An awakened and vocal society alive to the social problems is now demanding the managers and the business units increasing role in assuming the social responsibilities.

## **2. OBJECTIVES AND SALIENT POINTS**

Whether Business should Assume Social Responsibilities or Not? There is no denying the fact that lot of social awareness and pressure is there from various groups and agencies that the business managements should assume social responsibility. Yet a question may be asked why should business be asked to assume social obligations. The concept of social responsibility is opposed on the following grounds.

- I. The primary object of business is to earn profits of there should be maximum return on investment. If business undertaking adopts the policies of social responsibility, it will adversely affect profits. By eroding the profit motive, social responsibility will endanger the survival of business. So, according to the critics of social responsibility profit making and social obligation cannot go together.
- II. In a free society all the groups are to look after their own interest. Why should business be concerned with taking care of the interest of consumers and workers etc? The fixation of prices is concerned with demand and supply forces and not with the convenience of the consumers to pay.
- III. Business involvement in social affairs will enhance the cost of operations and reduce profits, leading to increased prices of the products which will be taxing for the consumers.

- IV. Business should not interfere with the social set-up. Business community already enjoying economic powers, if allowed to assume social responsibilities, it will lead to business dictatorship in social activities.
- V. The managerial process involves planning, organizing staffing, directing, controlling and coordinating of business activities. Lot of responsibility is involved on the part of the business to discharge these managerial functions. To add further with the social responsibilities in to expect too much from the business.
- VI. The concept social responsibility is ill-defined and ill-conceived; It is rather difficult task to implement this concept in the society where various groups viz. religious, trade unions, government etc. not fulfill their own responsibility properly.

**3. ARGUMENTS IN FAVOUR OF SOCIAL RESPONSIBILITY ARE EXPLAINED AS UNDER**

- I. Business uses the huge resources available with the society. It is the duty of the business to make use of these resources in the best possible manner. It is not to use these resources for the sake of owners or shareholders only but also for the sake and best interest of the society at the same time.
- II. Business has assumed social responsibility due to the threat of public regulation. In a welfare state, government never operates in isolation. It watches and safeguards the public interest by interfering in business activities. Business trade unions, consumers' organisation, economic laws and fear of nationalization are important social pressures which have compelled a concern to act in the best interest of the society. Survival of the business is difficult if it overlooks its obligations to the society. There is no denying the fact that business is subject to public scrutiny.
- III. In modern times, professionalism in management has developed to a great extent. This is due to the separation of ownership from management in the large business concern. The professional manager is not tempted by the narrow profit motive and adopts more responsible approach towards business. Professional managers have recognized social norms and code of conduct for business.
- IV. In order to get best results from the people, business must be aware of what employees expect from the business enterprises. It is for the business to see that the workers get economic satisfaction, social satisfaction and individual satisfaction. Human beings play a vital role in every business enterprise. In the words of Dale Yoder "The development, allocation, utilisation and conservation of human resources through their employment is a continuing inevitable process in modern societies." For keeping the labour force satisfied and meeting their egoistic needs, business should provide proper working condition viz. Recreational, educational and housing facilities etc. This is immensely helpful in increasing productivity.
- V. Present era is the era of socialism. It is the intellectual's food, the common man's hope and politician's slogan. Achievement of socialistic pattern of society is the ultimate goal of the government. The business can't be unconcerned with this wave of socialism. The business has to co-exist with socialism.

- VI. Business has to provide leadership to the society as giant sized business units command enormous economic power in the form of huge wealth, generating capacity, knowledge and experience. The concept of social responsibility becomes indispensable to ensure proper utilization of national resources.

#### 4. DISCUSSION

Keith Davis has strongly advocated the concept of social responsibility of a business by stating, "Society wants business as well as other major institutions to assume significant social responsibility. Social responsibility has become the hall-mark of nature global civilization. The business which chooses not to enter the area of social responsibility, may find that it gradually will sink into consumer and public disfavour".

George Yorder of England has also forcefully pleaded for social responsibility of business in his book. He has pointed out that, "The recognition by the company of these responsibilities and their acceptance is only a matter of time and cannot in fact be avoided." He has further pointed out that the method of appointment of directors should be such that it represents the voice of workers, consumers and the community into the councils of big business, not as a grace but as a right. He has also pointed out that company should provide in its memorandum of association a general clause stating its purpose in terms of its obligations towards (a) shareholders (b) consumers (c) workers and (d) community.

#### 5. SIX MODELS OF BUSINESS (GIVEN BY C.C. SWALTON)

The Investment Model	Responsibility to self.
The Austere Model	Responsibility to shareholders.
The Household Model	Responsibility to workers.
The Vendor Model	Responsibility to consumers.
The Civic Model	Responsibility to community.
The Artistic Model	Responsibility towards art, literature and creativity.

From the above it can be stated that business has:-

- I. Responsibilities towards owners, shareholders, and other investors.
- II. Responsibilities towards employees.
- III. Responsibilities towards consumers.
- IV. Responsibilities towards fellow-businessmen.
- V. Responsibilities towards the community.
- VI. Responsibilities towards Government.

These points can be explained as under:-

##### I. Responsibilities towards Owners, Shareholders and Other Investors

The first and foremost responsibility of the business is towards owners, shareholders and other investors. They contribute capital or invest to form an organization. The organization may be in the form of sole proprietorship, partnership or Joint Stock Company. The main areas of responsibility of business towards owners, shareholders and investors are:

- (a) To ensure proper safety of investment.
- (b) To provide fair and reasonable return on investment in the long run.
- (c) To offer reasonable appreciation of capital.
- (d) To communicate regular, accurate and proper information about the working of the enterprise.

Provision of the above mentioned measures greatly protect the interests of the owners, shareholders and other investors connected with the business. Provision of accurate information is helpful in attaining internal democracy in business.

## **II. Responsibilities towards Employees**

As already pointed out that manpower or human resources employed in the organisation is one of the most important factors of production. To have a satisfied labour force and to retain the same in the organisation their well being should be a paramount consideration before the management. The responsibilities towards employees can be discharged in the following manner:

- (a) Responsibilities in relation to adequate and fair compensation or remuneration for the work done.
- (b) Responsibilities regarding provision of proper working conditions and welfare measure in the form of proper ventilation, safety, job security promotion, heating, lighting, elimination of needs of govt. insurance, provision of gratuity, housing accommodation, education facilities for children of the employees sports, medical and hospital facilities etc.
- (c) Responsibilities interrelation to provision and recognition of genuine trade union rights.
- (d) Responsibilities in relation to advancement of workers and code of conduct.
- (e) Responsibilities in relation to workers participation in management.

## **III. Responsibility towards Consumers**

Consumer is the king in the modern business. It is the focal point of modern business. If business is all important, it is because, it is directed towards the satisfaction of consumer and in this context, the consumer is ends with consumer. The business's main objective should be to satisfy its consumers through the constant study of towards the consumers are as follows:

- (a) Provision of proper quality of goods.
- (b) Provision of adequate quantity of goods.
- (c) Supply of goods at the place where consumer desires.
- (d) Charging reasonable price for goods.
- (e) Availability of goods at the time consumers desires.

## **IV. Responsibilities towards Fellow Businessmen**

Business units are unable to produce all type of goods and services top meet the demands. They depend on other business organiosations too. For example, a cotton mill can't produce everything e.g. raw material, machines and equipment etc. Similarly for selling finished cloth wholesalers and retailers are needed. In this manner business is associated with different type of people. This is known as inter-business relationship. In discharging these inter-business relations, business has the following responsibilities towards other fellow businessmen.



- (a) To make fair and regular payments to suppliers.
- (b) To follow for and just trade practices regarding the prices, quantity and quality of products.
- (c) To promote and safeguard small-scale industrial units.
- (d) To foster good relations among business or trade associations and chamber of commerce for proper inter business relations.

#### **V. Responsibilities towards the Community**

Without the approval of the community a business cannot run smoothly and render services and deliver goods for a very long time. It can be conducted that business is dependent on community. It should strive for the betterment and well being of local community and the society because the success of business depends upon the active support and cooperation of the society. The main responsibilities of the business towards the society are:

- (a) To ensure proper ecological balance by minimizing pollution of air and water.
- (b) To initiate such business policies which are helpful on promoting social values of the community.
- (c) To assist local authorities and public bodies financially for improving provision of public services and facilities like drinking water, roads, telephone services and drainage system.
- (d) To help in promoting social institutions like education, religions sports, medical and recreational organisations.
- (e) To encourage and patronize musical and artistic activities for ensuring cultural environment of the community life.
- (f) To help in the upliftment of weaker and down trodden sections of the society.
- (g) To promote national integration and democracy.
- (h) To encourage community forums and discussion groups for developing proper understanding of national and international issues.

#### **VI. Responsibilities towards Government**

A government of any nation is an institution responsible for maintaining law and order, ensuring proper security from aggression from foreign countries and directs and controls overall economy of a nation. It is the supreme body in the country. The responsibilities of the business towards the government are:

- (a) To abide by government regulations and statute in the right spirit;
- (b) To meet taxes and other liabilities honestly.
- (c) To cooperate in framing the laws to govern the business activities properly.
- (d) To obtain from monopolistic and restrictive trade practices.
- (e) To restrain from indulging in hoarding and other business evil.

#### **6. CONCLUSION**

To conclude it may be pointed out that business owes a great responsibility to the society in which it operates. In the words of J.M. Parsons, a Former President of the Associated Chambers of Commerce and Industry, "It is our duty to see that good working conditions and good standard

of living of our workers, to supply our customers with goods of acceptable quality at reasonable prices and to fulfill our obligations to the state by the punctuations payment of taxes, the observance of rules of public regulation and cooperation the larger interest of society, are available. To the extent that we exceed in conducting business affairs in a socialist framework, to that extent we shall have justified our belief in the rule and capability of the private sectors."

A business is a human being as other human beings, has to participate in human life, and human life largely social. The modern businessman should not tolerate a social order with so many economic corpses lying around. He should busy and turn to building of a better world in which there will be no profits except the earned profits that come from real services and no privilege of participation in the upward march of human life.

If, however, business firms fail to move voluntarily for their traditional economic role. To assume new responsibilities for social problem, social costs and social benefits the government should take step in it. It should then assign social responsibilities to business through mixture of compulsion and inducement.

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