



# SARIYA COLLEGE, SURIYA DEPT. OF COMMERCE

ICT Teaching-Learning Centre

Paper Name- Business Organization and Management

Topic: Social Responsibility of Business

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“Social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests.”

-----*Keith Davis and Robert Blomstrom*

Social obligation means the responsibility of business to act in a manner which will serve the best interest of the society. Social obligation of a business is different from legal obligation. Legal obligation is fulfilled by mere compliances with the law. But social obligation relates to the voluntary efforts on the part of businessman to contribute to the social well-being. It is based on the assumption that what is good for the society is also good for business.

A business operates in the society. It comes in contact with various groups of the society such as owners, workers, customers, suppliers and Government. It should fulfil its obligations to each of these groups. The specific responsibilities of business towards various groups are discussed below:

**1. Responsibilities of business towards itself:** The first responsibility of the business is towards itself. The goals for which the business has been established must be achieved efficiently. Responsibility of business towards itself includes the following functions: (1) The goals for which the business has been established (ii) Effective and able conduct of business; (iii) To earn adequate profit to make continuity in the business; (iv) Goods and services should be produced according to the requirement and interest of the customers; (v) There should be no exploitation due to monopoly powers; (vi) Fair price should be charged and only best quality goods should be produced; and (vii) Basic principles of business must be observed.

**2. Responsibilities towards shareholders, owners or investors:** Shareholders or investors provide funds to the company. They expect a high rate of return on their investments. They also expect the appreciation in the value of their investments. They would not like that their money is diverted towards unproductive avenues. It is the duty of the management to invest the capital of the company in such a way that company is able to provide reasonable return to investor and owners. The responsibility of business to shareholders, owners or investors may be summed up as under: (i) Safety of investment of capital should be there; (ii) Fair return on capital should be given; (iii) Safety and growth of the assets of the company; (iv) More participation in profits by issuing bonus shares; (v) Important information's must be provided to the shareholders; (vi) No partiality towards shareholders; (vii) Representation to minority shareholders; (viii) Optimum utilisation of resources; and (ix) Capital appreciation ; and (x) Work as trustee to shareholders.

**3. Responsibility towards customers/consumers:** Customers want products of high quality at the lowest possible price. Customer's satisfaction should be the ultimate aim of every business. If the customers do not patronise a business enterprise, it will have to stop its operations. It is the duty of management to perform the following responsibilities towards customers: (i) To produce goods according to the needs of the goods should be produced, (ii) Only quality goods should be produced; (iii) Goods should be provided at cheaper and fair prices; (iv) A good distribution system should be there to ensure regular supplies; (v) There should be no hoardings of goods; (vi) To co-operate with groups and associates representing customers; (vii) Adequate expenditure an advertisement; and (viii) To handle customers complaints and inquiries very carefully and analyse them objectively.

**4. Responsibility towards employees or workers:** Workers are a source of labour for performing different operations. Management should have good relations with the workers in order to achieve the objectives of the enterprise. Employees require higher wages, good environment, better conditions of work and opportunity for growth and development. It is the responsibility of management to satisfy the needs of the workers who devote their energy for the well-being of the enterprise. Management should also recognise the rights of the workers to unite and make unions for the protection of their economic and social rights. (i) Good working conditions must be provided to the workers; (ii) Security of job to workers; (iii) Safety against accidents, old age and unemployment; (iv) Social security benefits must be given to workers; (v) Self-development and promotion to workers; (vi) Welfare activities in the interest of workers; (vii) Job satisfaction among workers.

**5. Social responsibilities towards other enterprise:** Social responsibilities of business towards other fellow enterprises are mainly as follows: (i) Public and private sector must be co-operative and complementary to each other; (ii) Unhealthy competition should be avoided; (iii) Small units should be treated as complementary and not as competitors; (iv) Technical and financial help to each other; (v) Fair dealings with fellow businessmen; (vi) Co-operation must be there; and (vii) Healthy trade practices should be observed.

**6. Social responsibilities towards suppliers:** Continuity in the supply of raw materials is important for the success of any enterprise. Terms and conditions regarding the supply of goods must be reasonably fair. Payments to the suppliers should be made regularly. The benefit of information should be passed on to the suppliers so that they can adapt their production systems to the changing needs of the society. (i) Fair price and payment in time for goods purchased; (ii) To hear their complaints patiently; (iii) Payments according to terms and conditions; (iv) To tell them about consumers taste, habits and fashions; (v) Must be impartial and courteous; (vi) Fair terms of trade; and (vii) Give them the benefit of their study of customers demands and future market trends.

**7. Social responsibility towards State/Government:** The management of an enterprise also owes an obligation to the State. State is the protector of the interests of various groups of the society. It is the duty of the management to follow the policies and directions issued by the State. It should pay taxes and other duties in time. It should not encourage monopoly and concentration of economic power. If the business enterprise does not perform its obligations, the state will intervene by virtue of the powers given to it by various statute passed by the state. (i) Regular and full payment of taxes; (ii) No bribe should be given to government employee; (iii) To help the government in stopping black marketing and adulteration; (iv) Obedience to state regulations; (v) Co-operation with state policies to ensure economic and social justice; (vi) To participate in the social life of the country.

**8. Responsibilities of business towards world:** In modern times business has the following responsibilities towards world. (i) Developed countries can be established (ii) To Co-operate with other countries in providing them business facilities available in our country, (iii) Good industrial relations must be established; (iv) International code and conducts must be observed; (v) To increase the goodwill of our country in other countries; (vi) To co-operate in maintaining international peace; and (vii) Business help to small countries.

**9. Responsibilities of business towards community and society:** Businessmen must behave as good citizens. They should not try to encroach on the right of their fellow beings. They should use their resources for the welfare of the community at large. The specific responsibilities of business towards community and society are discussed below:

- (i) To ensure efficient use of national resources;
- (ii) To provide high quality products to the community;
- (iii) To generate employment opportunities to the community;
- (iv) To improve the quality of life of the staff and workers;
- (v) To provide better working facilities to the workers;
- (vii) To ensure better environmental conditions;
- (vii) To ensure safety measures against industrial hazards;
- (viii) To pressure social and cultural values; and
- (ix) To promote national integration.