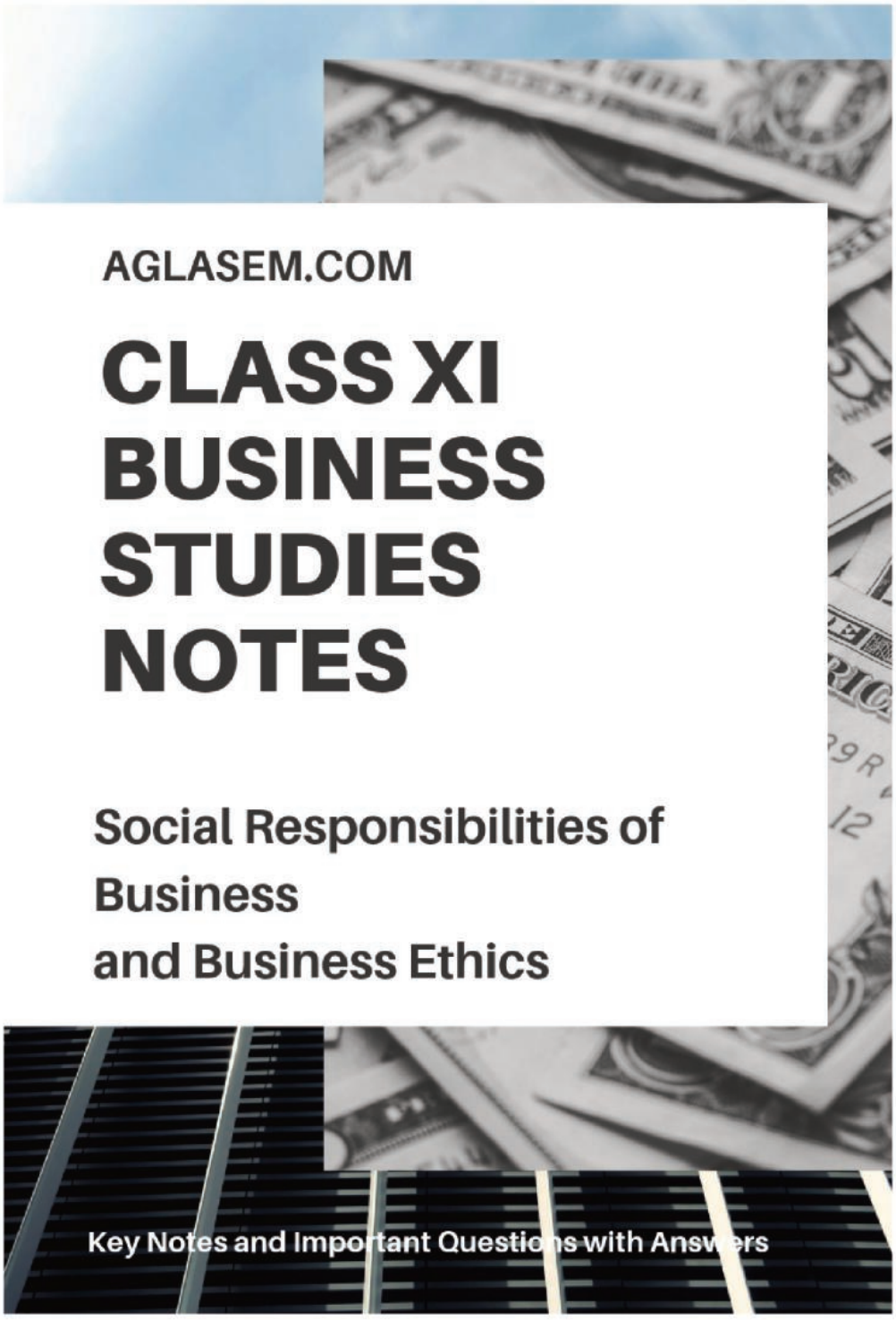

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CLASS XI
BUSINESS
STUDIES
NOTES
Social Responsibilities of
Business
and Business Ethics
Key Notes and Important Questions with Answers

CHAPTER 6
SOCIAL RESPONSIBILITIES OF BUSINESS AND BUSINESS ETHICS

CONCEPT OF SOCIAL, RESPONSIBILITY

A business is apart of society. So, a business enterprise should do business and earn money in ways that fulfil 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 resources of society and earn money from the members of society so they must do something for the society.

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 goodwill in the long run when its highest goal is to serve the society . it indulges in unfair Trade Practices e.g. adulteration, hoarding black marketing it may not be able to exist for long.
3. **Avoidance of government regulations :-** Business can avoid the problem', of government regulations by voluntarily assuming social responsibilities.
4. **Availability of resources with business :-** Business has valuable and human resources which can be effectively used for serving problems of the society.
5. **Better environment for doing business :-** Social responsibility Quality of life and standard of living of people. So, business will get better community to conduct business.

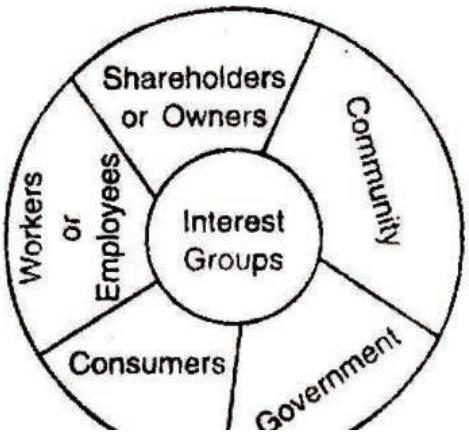
problems have beer created by business firms themselves such as pollution, creation of unsafe work places, discrimination etc, Therefor, it is the moral obligation of business to solve such social problems.

Arguments Against Social Responsibility : major arguments against social responsibility are:

1. **Profit Motive :-** A business is an economic entity that is guided by profit motive. It should not waste its energies and resources in fulfilling social responsibility.
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 :-**The business firms and managers have the skills to handle business operation. They are not expert to tackle the social problems like poverty over population etc. Therefore, social problems must r e tackled by social experts.
4. **Lack of public support :-** Generally public does not like business involvement in social problems. Therefore, business cannot fulfil social responsibility because of lack of public confidence & cooperation.

SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS

Business has interaction with several interest groups such a 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 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) Providing fair compensation and benefits,
   (ii) Providing good and safe Working conditions, iii) To develop a sense of belonging-ness.
3. Responsibility toward consumers :-
   (i) To supply 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 exist in products.
   (iv) To handle the customers grievance promptly.
4. Responsibility Towards Government -
   (i) To pay taxes honestly
   (ii) To observe rules laid down by the government,
   (iii) to avoid corrupting government employees.
5. Responsibility towards community -
   (i) To make available opportunities for employment,
   (ii) To avoid polluting the environment,
   (iii) To up lift the weaker sections of society

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

and businessmen are creating is that of pollution - which is the result of industrial production. So, section of environment is must.

Causes of Pollution :- Many industrial organizations have been responsible for .using air, water and noise pollution.

1. **Air Pollution :-** Due to smoke, chemical emitted by factories, vehicle. It has created a hole in the ozone layer leading to global warming.
2. **Water pollution :-** Due to chemicals and waste dumped into the rivers, streams & lakes. It has led to the death of several animals and posed a serious problem to human life.
3. **Land Pollution :-** Due to dumping of garbage and toxic wastes which affect the fertility of land and makes it unfit for agriculture.
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 healthy life :-** Many diseases like cancer, heart attack and lung complications all caused by pollutants in the environment. Pollution control is must to keep a check on these diseases.
2. **To ensure safety :-** Due to environmental pollution and smoke the visibility is reducing due to which chances of accidents have been increasing. To reduce the number of accidents there must be a check on pollution.
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 firm that adopts pollution control measures enjoys a good reputation as a socially responsible enterprise.

ROLE OF BUSINESS ENVIRONMENTAL PROTECTION:

1. Eco-friendly and clean or low waste technology should be used by industrial organization.
2. Industrial Wastes should be recycled as far as possible.
3. Plant and machinery should be modernized to minimize

4. The business houses should comply with the laws and regulations enacted for prevention of pollution.
5. Positive steps should be taken to save environment. These include, plantation of trees, cleaning of rivers, ponds etc.

BUSINESS ETHICS:

Refers to the moral values or standards or norms which govern the activities of a businessman. Ethics define what is right and what is wrong. By ethic we mean the business practices which are desirable from the point of view of Society. The purpose of business ethics is to guide the managers and employees in performing their job. Example of business ethics are charging fair price from customers, giving fair treatment to workers, earning reasonable profits and paying taxes to... the government honestly.

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 employers and encourage them to follow ethical practice.
2. **Publication of code :-** Code of ethics is a formal written document of the principles, values and standards that guide a firms actions. It may cover areas like honesty, quality, safety, health care etc.
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 organisation.
4. **Employee involvement :-** It is the employees of the lower levels who implement ethical principal so they must be involved in the process of developing ethical code.
5. **Measuring results :** Although it is difficult to measure ,the ethical results but it mist be verified and audited that have for work is being carried according to ethical standards.

1 MARKS QUESTIONS :-

1. Define social responsibility of a business.

3. State two effects of noise pollution?

4. What is environmental pollution?

5. To give complete information regarding finance position of the company is the social responsibility of organization towards which interest group ?

6. "Responsibility of a business extends beyond its economic responsibility." Mention the name of this responsibility. (Social Responsibility)

7. "A business organization has adopted the policy of refraining from profiteering and hoarding." Mention the interest group for which this policy is relevant?

8. "An Industrial unit discharges toxic gases from its chemical plant." Mention the type of pollution created by the unit. (Air Pollution)

9. Mention the element which refers to a set of mass moral principles which govern the conduct of people in a business organization. (Business ethics)

10. "Business must focus on the varied interest of the society:. Give any one reason in support of this statement. (As business is a part of society)

3/4 MARKS

11. Why is business responsible for Environment Protection?

12. Enumerate any three responsibilities of business towards employees.

13. Why should a business assume social responsibility?

14. Explain the major cause of environmental pollution?

15. Define business ethics and explain its significance?

16. LMN Ltd. is filing its income tax returns on time. They are also updating their shareholders about their projects and provide for return to them. Towards which interest group are they fulfilling their responsibility? Which values are being followed by the Co.?

17. ABC Ltd. deals in health drinks. It is found that there are components of pesticides in their drinks. Mention which 2.kinds of responsibilities and 2 values are missing from this approach.

18. ABC Ltd. while advertising its deodorant range presents females in a derogatory manner which offends religious group also. Which kind of social responsibility is being neglected. Also, what

19. XYZ Co. is providing facilities for their female staff like day care centre for kids and work form home facility. By doing this they are following social responsibilities towards which interest group? Also, what values are they presenting?

20. ABC Ltd. is a small company which makes disposable paper plates which are environment friendly. They are made from the bark and dry leaves of tress available in the north east states of India .

    i) Towards which interest group is the business following its social responsibility ?

    ii) Write any two values presented by the company.

21. Maruti Suzuki Ltd. is a car manufacturing company which found that 7700 Belano Desire cars manufactured by it had some problems with their engines. By Fulfilling Business Ethics the company recalled all the cars and corrected the problems. State any four values followed by the company.

22. It is a complex problem that motivates business managers and decision makes to face boldly the problem of environmental population. Environment consists of natural surrounding of the man as well as conditions developed by man. Environment is being constantly polluted which is not good for the survival of human-beings.

    i) Recognize complex problem in the above paragraph.

    ii) Enumerate the two points regarding the causes of this complex problem.

23. Your friend Rajesh runs a factory in you city. His factory is spreading air, water and noise pollution. What advice would you give him for keeping the environment pollution free.

24. Besides looking after the interest of its owners a business ought to look after the interests of other groups as well. These other groups include employees, consumers, suppliers, competitors government, the community and the world also. Now a days only those business are considered good which besides looking after the interest of its owners also cater to the interests of these groups also. Which concept of business is explained in this statement? Recognize that concept and explain its meaning as well.

25. The owners of Gupta and Gupta pvt. Ltd. are taking special

it, they dump the waste water of their factory only after passing through the efficient treatment plant. Explain the value which this company is following.

26. This is the speciality of the Rajdhani Floor Mills that it gives handsome remuneration to its employees. The employees of the mill are a happy lot and they motivate their friends to work here. Enumerate which values are being affected here?

27. The Chief manager of Surya Ltd. Mr. Mohan is taken huge interest in fulfilling his social responsibilities towards the government. Explain the company is showing its commitment, regarding the fulfilment of its social responsibility. Give any three points.

28. xyz Ltd. is a cigarette manufacturing company. It does not put the mandatory disclaimer that Cigarette smoking is injurious to health.
    i) Towards which interest groups is it not following its responsibility.
    ii) What are the values lacking here ?

29. LMN Ltd. Co., a car manufacturing company, found that 100 cars of a particular batch had some problem with their engines. It recalled all the cars and corrected the specified problem.
    i) What values are being followed by the company?
    ii) Towards which interest group are they being responsible here?

5/6 MARKS

30. Explain the forces which are responsible for increasing concern of business enterprise towards social responsibility?

31. It is in the interest of business to fulfill its social responsibilities towards different interest groups. Explain?

32. MNO Ltd., a renowned computer follows the vision of "reaching new heights with its people on its side". It not only provides quality products but also provides various facilities to its employees for 5 years of service. It also provides computer skills

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(a) What according to you are the business ethics of the company?

b) It is fulfilling its social responsibilities towards which interest groups?

33. There is a group discussion taking place in class XI regarding social responsibility of business' Ravi feels that a business should be socially responsible towards the society it exists in v, bile shama is against it as basic objective of a business is to earn project. Whom do you think, you favuor? Write points with respect to you opinion.

34. ABC bank is providing e-banking facility to its customers. A group of employees of the bank are sharing the personal Financial details of the customers with some unscrupulous individuals to back their accounts.

(a) From the above given information what risks of e-business do you identify.

(b) Towards which interests group is the bank not paying-attention?

35. A BPO is providing 24 x 7 handing of customer queries and grievances. But in this process. it is making its employees work for 16 hours a day.They are not even provided a rest period of more than 45 minutes in a day.

(a) What is a BPO? What services does it provided to its customers?

(b) Which responsibility is not being taken care of by the BPO?

(c) Interests of which group are not being catered to here?

36. An organization manufacturing paints has been enjoying a prominent market position since many years. It has been dumping its untreated poisonous waste on the river bank which has created many health problems for the nearby villages.

a) What kind of pollution is caused by the above cited organization.

b) Which responsibility is not being taken care by the concerned organization.

[**Hints :** (a) Water pollution (b) Social Responsibility towards community (c) Environment Protection, compliance of legal laws]

37. A Vehicle manufacturing company has adopted the following practice.

i) Only those components will be used by the company which are environment friendly.

ii) There will be discharge of harmful wastes only after their proper treatment.

iii) Pollution level of every vehicle will be maintained as per international standards.

Identify and explain the aspect of business with which the above actions are related

Mention any 2 values which are involved in above care.

[**Hint :** Environmental protection, values (a) Concern for environmental protection, Social welfare.

38. "Bhardwaj is a partnership firm. Anil and Sunil are two partners. Sunil's liability is unlimited where as Sunilt's liability is limited, its is given in partnership dead. Sunil wants to instal a pollution control device in its factory but Anil is against it. All the transactions are done only on the internet by this firm. This specializes in selling its products only to other business units. This firms get her research and development work done through another firm. This another firm has specialization in research and development work.

On the basis the above paragraph answered the following questions.

i) Tell the type of partnership.

ii) Recognize the unethical behaviour of the firm and which two values are being neglected here.

iii) Which type of e-business the firm is running ?

iv) Name that process by which the use of which quality of this another firm is being made?

[**Hint :** Limited and unlimited liability partnership]

39. According to which principle Business forms should carry on business activities and earn profits keeping in mind social aspirations of the society ? My explaining the need of the concept of social responsibility give four points in its favour.

[**Hints :** Social Responsibility]

40. HCL is a well known computer company. It has the ambition of touching new heights with the help of its employees. It provides quality products and offers various facilities and incentives to its employees such as cab facility, after completing five years employees are given company shares also. It provides free computer skills to the youths of backward areas.

a) In your view what is the Business Ethics of the company ?

b) It is fulfilling its responsibility to which interest group?

41. XYZ bank is providing e-banking facilities to its customers. Some employees of this bank have been sharing the personal details of some customers to some the with unethical tendencies. The accounts of these customers can be haked my these dishonest customers. On the basis of the above paragraph answer the following questions :-

i) To which e-business risk you can recognize on the basis of the above information ?

ii) The bank is not fulfilling its responsibility towards which interest group ?

[**Hint :** Dishonest Trade Practice a Unethical Trade Practice]