

# QB365 Question Bank Software Study Materials

## Social Responsibility of Business Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) Give the meaning of Social power.

**Answer :** 1. Business have considerable social power.  
2. Their decisions and actions affect the lives and fortunes of the society.  
3. They collectively determine for the nation such important matters as level of employment, rate of economic progress and distribution of. incoe among various groups.

2) What is free enterprise?

**Answer :** 1. A Business Enterprise which accepts and discharges social obligations enjoys greater freedom.  
2. For Example, the government has passed the consumer protection Act to prevent businessmen from indulging in adulteration, black marketing and other anti-social practices.

3) What is Ethical responsibility?

**Answer :** 1. Ethical responsibility includes the behaviour of the firm that is expected by society but not codified in law.  
2. For example, respecting the religious sentiments and dignity of people while advertising for a product.

4) What do you mean by Social responsibility?

**Answer :** 1. Every businessman earns prosperity from business and should give back the benefit of this prosperty to society.  
2. This is voluntary.  
3. This benefit is the moral responsibility of business.  
4. As this benefit is supposed to be passed on to society, it can be said to be Social responsibility of Business.

5) What is Legal responsibility?

**Answer :** Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

6) What are the Responsibility of Suppliers?

**Answer : The responsibility of 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.

7) Give definition of Social Responsibility by H.R. Bower.

**Answer :** According to H.R. Bower, To pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.

8) Write notes on moral justification in social responsibility.

**Answer : Moral Justification:**

- (i) In a large country like India, government alone cannot solve all the problems.
- (ii) Business has money and talent with which it can assist the government in solving problems.
- (iii) For example, business can play a vital role in solving regional disparities, unemployment, illiteracy, etc.

9) State any two arguments for social responsibility.

**Answer : 1. Protection of Stakeholders Interest:**

- (i) A business organisation is a coalition of several interest groups or stakeholders.
- (ii) Example - shareholders, customers, employees, suppliers, etc.
- (iii) Business should, therefore, work for the interest of all of them rather than for the benefit of shareholders /owners alone.

**2. Proriotion of Society:**

- (i) Business is a sub-system of society. It draws support and sustenance from society in the form of inputs.
- (ii) Socially responsible behaviour is essential to sustain this relationship between business and society.

10) What are the responsibility towards employees?

**Answer : 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 only business can be successful. The responsibilities of business towards its employees include:

1. Timely and regular payment of wages and salaries.
2. Proper working conditions and welfare amenities.

**3 Marks**

10 x 3 = 30

11) Define the concept of Social Responsibility?

**Answer : The following are some important definitions of social responsibility:**

"Social Responsibility refers to the obligation 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 our society." - Howard R.

"Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony". Peter F. Drucker.

12) What are the social responsibility of business towards owners.

**Answer :** Social responsibility means that besides maximizing shareholder value, businesses should operate in a way that benefits society. Socially responsible companies should adopt policies that promote the well-being of society and the environment while lessening negative impacts on them.

13) Why you do think Social Responsibility of business is needed?

- Answer :**
1. A business unit can sustain in the market for a longer period only by assuming some social obligations.
  2. Normally businessmen recognise that they can succeed better by fulfilling the demands and aspirations of society.
  3. People who have had a higher standard of living and have been exposed to an environment conducive to healthy growth make better employees and customers for business than those who are poor, ignorant and oppressed.
  4. Therefore social responsibility of business is needed

14) Enumerate the points relating to why Business units are socially responsible?

**Answer :** Business is a creation of society and uses the resources of society. Therefore, it should fulfil its obligations to society. Businessmen should respond to the demands of society and should utilise the social resources for the benefit of the people at large. In the long run a successful business can be built on the foundations of a happy community and a satisfied work force.

15) Define Social Responsibility:

**Answer :** In the words of Peter F. Drucker, "Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony".

16) What are the aspects of Social Responsibility of Business in India?

**Answer : The aspects of Social Responsibility of Business in India are:**

- (i) To make the best use of natural resources so as to raise the level of National Income and standard of living of the people.
- (ii) To create more and more employment opportunities.
- (iii) To protect the national environment and ecological balance.
- (iv) To contribute to the economic development of backward region.
- (v) To recognise and respect social values.
- (vi) To co-operate with the Government in solving problems like illiteracy.
- (vii) To make the country economically self reliant through export promotion and import substitution.

17) What are the responsibilities of business towards employees?

**Answer :** 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.
- (c) Opportunity for better career prospects.
- (d) Job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits, etc.,
- (e) Better living conditions like housing, transport, canteen, creches etc.,
- (f) Timely training and development.

18) What are the arguments against social responsibility?

**Answer : Arguments against social responsibilities:**

Critics of the social responsibility concept put forward the following arguments:

**a) Lack of Conceptual Clarity:**

The concept of Social responsibility is very vague and amenable to different interpretations. There is no consensus on its meaning and scope. In such a situation, it would be futile as well as risky to accept social responsibility.

**b) Dilution of Economic Goals:**

By accepting social responsibility, business will compromise with economic goals. Business is an economic institution and its only responsibility is to make maximum possible profits for its owners. It would endanger its economic viability by accepting any other responsibility.

**c) Lack of social skills:**

Business organizations and their managers are not familiar with social affairs. There are special social service organisations such as Government and Non-Governmental Agencies which can buffer deal with social problems.

**d) Burden on Consumers:**

If business deals with social problems, cost of doing business would increase. These costs will be passed on to consumers in the form of higher prices or will have to be borne by owners. This would lead to taxation without representation.

19) What are the responsibility towards owner?

**Answer : 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.

20) What are the responsibility towards investors?

**Answer : 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.

**5 Marks**

5 x 5 = 25

21) How do you classify Social Responsibility?

**Answer : Kinds of Social Responsibility:**

**(i) Economic Responsibility :**

1. A Business Enterprise is basically an Economic Entity and, therefore, its Primary Social Responsibility is economic i.e. produce goods and services that society wants and sell them at a profit.
2. There is little discretion in performing this responsibility.

**(ii) Legal Responsibility :**

1. Every Business has a responsibility to operate within the laws of the land.
2. Since these laws are meant for the good of the Society, a law abiding enterprise is a socially Responsible Enterprise as well

**(iii) Ethical Responsibility :**

1. This includes the behaviour of the firm that is expected by Society but not codified in law.
2. For Example: Respecting the religious sentiments and dignity of people while advertising for a product.
3. There is an element of voluntary action in performing this responsibility.

**(iv) Discretionary Responsibility :**

- (1) This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquake.
- (2) It is the responsibility of the company management to safeguard the Capital Investment by avoiding speculative activity and undertaking only healthy Business ventures which give good returns on Investment.

22) Explain the need for Social Responsibility.

**Answer : Need for Social Responsibility:**

Business is expected to be responsible to society due to the following reasons:

**a) Self-Interest:**

1. A business unit can sustain in the market for a longer period only by assuming some social obligations.
2. Normally businessmen recognise that they can succeed better by fulfilling the demands and aspirations of society.
3. People who have had a higher standard of living and have been exposed to an environment conducive to healthy growth make better employees and customers for business than those who are poor, ignorant and oppressed.

**b) Creation of Society:**

1. Business is a creation of society and uses the resources of society.
2. Therefore, it should fulfil its obligations to society.
3. Businessmen should respond to the demands of society and should utilise the social resources for the benefit of the people at large.
4. In the long run a successful business can be built on the foundations of a happy community and a satisfied work force.

**c) Social Power:**

1. Businessmen have considerable social power. Their decisions and actions affect the lives and fortunes of the society
2. They collectively determine for the nation such important matters as level of employment, rate of economic progress and distribution of income among various groups.
3. Businessmen should assume social obligations commensurate with their social power.
4. The government controls and regulations intervene in the social power of business in the absence of business taking up social responsibility.
5. It is, therefore, the moral and right thing for business enterprises to assume social obligations.

**d) Image in the Society:**

1. A business can improve its image in public by assuming social obligations.
2. Good relations with workers, consumers and suppliers help in the success of business.
3. Social obligations improve the confidence and faith of people in a business enterprise.

**e) Public Awareness:**

Now-a-days consumers and workers are well informed about their rights.

1. Consumers expect better quality products at reasonable prices.
2. Similarly, workers desire fair wages and other benefits.
3. They exercise pressure on the employer's through-trade unions.
4. There will be industrial unrest and conflict in society, if business does not fulfil its obligations.

**f) Free Enterprise :**

1. A business enterprise which accepts and discharges social obligations enjoys greater freedom.
2. For example, the government has passed the Consumer Protection Act to prevent businessmen from indulging in adulteration, black marketing and other anti-social practices.
3. Thus, social responsibilities are essential for avoiding governmental action against business.
4. Such action will reduce the freedom of decision making in business.

**g) Law and Order:**

1. Any business unit can survive and grow only when there is law and order in society.
2. If business exploits the weaker sections of society for too long, these sections will take the law in their own hands.
3. The resulting chaos will threaten the very survival of business.

**h) Moral Justification:**

1. In a large country like India, government alone cannot solve all the problems.
2. Business has money and talent with which it can assist the government in solving problems.
3. For example, business can play a vital role in solving regional disparities, unemployment, illiteracy, scarcity of foreign exchanges and such other problems in the country.
4. Moreover, business has created some social problems such as pollution, health hazards, etc.
5. Therefore, business should help society in solving its problems.

**i) Socio-Cultural Norms:**

1. India has a rich cultural heritage.
2. Businessmen who help in preserving and promoting this heritage will naturally enjoy the patronage of the society and the government.
3. Business should, therefore, promote equality of opportunity, healthy relations with employees and customers, etc.

**i) Professionalism:**

1. Management of business enterprises is being professionalised.
2. An owner-manager nurses a greater greed for profiteering because all the gains go to him.
3. But a salaried and qualified manager is less likely to be lured because he does not benefit from the profits earned through questionable practices.

**k) Trusteeship:**

1. Mahatma Gandhi suggested that "those who own money or property should hold and use it in trust for society."
2. Businessmen should run business firms not for their self - enrichment but for the good of the society.

23) What are the arguments against Social Responsibility?

**Answer : Arguments against social responsibilities:**

Critics of the social responsibility concept put forward the following arguments.

**(i) Lack of conceptual clarity :**

- (1) The concept of Social responsibility is very vague and amenable to different interpretations.
- (2) There is no consensus on its meaning and scope.
- (3) In such a situation, it would be futile as well as risky to accept social responsibility.

**(ii) Dilution of Economic goals :**

- (1) By accepting social responsibility, business compromise with Economic goals
- (2) Business is an Economic Institution and its only responsibility is to make maximum possible profits for its owners.
- (3) It would endanger its Economic viability by accepting any other responsibility.

**(iii) Lack of Social skill :**

- (1) Business organisations and their managers are not familiar with social affairs.
- (2) There are special social service organisations such as Government and Non-governmental Agencies which can better deal with Social problems.

**(iv) Burden on consumers:**

- (1) If Business deals with Social problems, cost of doing Business would increase.
- (2) These costs will be passed on to consumers in the form of higher prices or will have to be borne by owners.
- (3) This would lead to taxation without representation.

**(v) Responsibility without power:**

- (1) Business organisations possess only economic power and not social power.
- (2) It is unjust to impose social responsibilities with social power.
- (3) If Business is allowed to intervene in social affairs it may perpetuate its own value system to the detriment of society.

**(vi) Misuse of Responsibilities:**

- (1) Acceptance of social responsibilities will involve diversion of precious management time and talent on social action programmes.
- (2) It may result in dilution of valuable corporate resources.

**(vii) lack of Yard stick :**

- (1) Profitability is the common criteria for decision - making in Business.
- (2) Tampering it with social responsibility would make the decision-making process quite complex and controversial.

**(viii) Improper role:**

- (1) The proper role of Business is to use its resources and energies efficiently so as to earn the best possible return .on Investment within the confines of law and ethics.
- (2) Business should concentrate on economic performance leaving social service to other organisations.

**(ix) Overloading Responsibility :**

- (1) Business organisations are already serving society by providing goods and services, generating employment, developing technology and contributing to public exchequer through tax payments.
- (2) It would be unjust to overburden them with further responsibilities.

24) Discuss the different groups benefited out of Social responsibility of Business?

**Answer : Responsibility towards different Interest Groups:**

After identifying the concept and importance of social responsibility of business the various responsibilities that a business has towards different groups with whom it interacts are discussed below. 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.

1. Business
2. Investors
3. Employees
4. Government
5. Competitors
6. Customers
7. Society
8. Suppliers

**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

- (1) Run the Business efficiently
- (2) Proper utilisation of Capital and other sources.
- (3) Growth and appreciation of Capital.
- (4) 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:

- (1) Ensuring safety of their Investment.
- (2) Regular payment of Interest.
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**(iii) Responsibilities 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:

- (1) Timely and regular payment of wages and salaries.
- (2) Proper working conditions and welfare amenities.
- (3) Opportunity for better career prospects
- (4) Job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits, etc.
- (5) Better living conditions like Housing, Transport, Canteen, Creches, etc.
- (6) 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:

- (1) Giving regular order for purchase of goods.
- (2) Dealing on fair terms and conditions
- (3) Availing reasonable credit period.
- (4) 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:

- (1) Products and services must be able to take care of the needs of the customers.
- (2) Products and services must be qualitative.
- (3) There must be regularity in supply of goods and services.

25) Explain Corporate Social Responsibility in India with an example:

**Answer :** Tata Group is the best example for the corporate social responsibility in India. The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions.