UNIT 3 SOCIAL RESPONSIBILITIES OF BUSINESS

Structure

3.0 OBJECTIVES

After studying this Unit you should be able to :

- explain the concept of social responsibility;
- enumerate the ground for adoption of the concept of social responsibility by business;
- state the various dimensions of responsibilities of business towards its various stakeholders;
- identify the significance of social performance reporting;
- explain the concept of concepts of social accounting;
- describe the approaches that can be adopted for social accounting and reporting;
- explain the concept of social audit and its significance; and
- outline the position of corporate social responsibility efforts in India.

3.1 INTRODUCTION

In Unit 2 you learnt about the various elements of Socio-cultural environment and their impact on strategic decision making in business. It is now widely recognised that the business not only involves pursuing economic grains, it also has certain obligations to society which can be termed as social responsibilities of business. In this unit you will learn about the concept of social responsibility, its significance, and the nature of social responsibilities to various stakeholders in business. In this context, you will also learn about the need and nature of social reporting, the approaches to social accounting and reporting, and the concept of social audit and its significance.

3.2 CONCEPT OF SOCIAL RESPONSIBILITY

Social responsibility of business refers to the obligation of business enterprises to adopt policies and plans of action which are desirable in terms of the expectations and interest of the society. It involves consideration of social criteria along with economic criteria in conducting business activities. The idea may be said to have arisen out of the growing public expectations that the business firms should modify their singular pursuit of economic goals and help the society in resolving social problems which may not be the direct outcome of business operations but should be of concern to business as a major user of society's resources.

Traditionally business was looked upon as an occupation, which involved production or' purchase and sale of goods to make profit. It was not necessary for the businessman to be concerned with the value issues of business since the marketplace performed that function automatically. It was believed that the customer made the value choice for himself by selecting goods best suited to his purpose. However, things changed over time. It came to be realized that the marketplace was inadequate as an arbiter of business values arid that economic considerations could not be viewed in isolation from social considerations, or in isolation from a value framework without endangering social values.

Over the years, significant changes have taken place in tlie inter-relationship between business and society leading to a two-way understanding and expectations due to several factors such as growth in size of corporate enterprises, awareness of the social impact of business activities, and institutional expression of tlie claims of society on business. Not only that, the power-responsibility equation (balancing of responsibility with power) is an essential requirement in a society for securing public good. The corporate enterprises wield immense social power which in various ways affect the environment, consumers and tlie community. It is very. necessary that they assume responsibilities commensurate with their power so that power might not be exercised without due regard to the social interest.

If social responsibility underlies business decision-malting, it goes with acceptance of the position that business involvement in the social process will be followed by action plans in the interest of society as a whole. Thus, tlie concept of social responsibility of business is based on the recognition that business is an organ of society and an integral part of the social system.

3.3 CASE FOR SOCIAL RESPONSIBILITIES OF BUSINESS

You have learnt that the concept of social responsibility implies an obligation of business firms to adopt policies and lines of action that are desirable in term of tlie expectations and interests ofsociety. But, the classical economists – Milton Firedman, F. A. Hayek and Gilber Bruck held a different view till the 70s. They viewed the doctrine of social responsibility in the light of its incompatibility with the concept of free society and felt that "there is only one social responsibility of business, that is, to use its resources and engage in activities designed to increase its profits". It has also been contended that to the extent the management is led, by voluntary initiative or government action, to invest in social activities, there will be a curtailment in investments in the productive activities and for higher productivity. Even if the companies have adequate resources to engage in socially responsive programmes, large scale commitment in that respect is likely to lead to slower growth in GNP. However, the modern writers – Peter Drucker, Melvin Anshen, and others – have put forward the case for social responsibilities of business on several grounds. The following arguments are worth noting.

1 The case for social responsibilities of business rests primarily on tlie ground that corporations are creatures of society and should, therefore, respond to the demands of society. By virtue of being one of the leading groups in society, management of corporations should ensure that public good becomes the private good of tlie enterprise. This is because tlie actions of an enterprise have often a decisive impact on tlie social scene.

2 As an organization expands its activities, there is increasing public interest in its policies and actions. If such enterprises do not react to social demands, tlie society may force them to do so through laws, or may not permit the enterprise to survive. To what extent tlie quality of products of a company is reliable, to what extent it is able to fulfil tlie expectations of owners, employees, consumers, community and the public at large, largely determine the image of an enterprise wliich is very crucial for its survival and growth.

3 Any business activity involving society promotes or negates human values in some way. Thus, business activity is not amoral. It is in the moral realm. Social responsibility or the value issue of business is not a peripheral issue. Tliis is because tlie market mechanism cannot adequately arbiter business as a social system; economic considel-ations cannot be viewed in isolation from social considerations, nor can it be viewed in isolation from a value framework without endangering social values.

4 Economic efficiency is not the only kind of efficiency valued by society. Even if socially responsive investment leads to reduced investment in technology and implies a restraint on productivity and slower growth in GNP, it should bc possible to derive a national measure of social welfare parallel to GNP and of balance the two. "There is more to the good life than high and rising GNP, howsoever equitably shared", says Anshen.

5 It needs to be realized that commitment to support socially responsive activities should be profitable to business in the long run as it would help to maintain a favourable environment for business, though with some reduction in profits, and, for society, with some traditional goods and services reduced in supply. Sometimes, doubts are expressed about the competence of managers to administer socially useful programmes. This cannot bc regarded as a handicap. Managers have responded to the challenge of advancing technology. With the challenge of corporate social responsibility, there is every reason to expect that managers will reorient their attitudes and priorities in the area of social performance and develop the necessary capabilities.

6 In large corporate enterprises, the shareholders have a passive role and are not involved in most key decisions of the company. Even in directing the activities of the company they have a very limited role. Hence, it may be argued that shareholders cannot expect the enterprise to be run purely in their interest. They should rather be entitled to be the recipients of a stream of profits as determined by management which, holding a central position, should be responsible to, and equilibrate the claims of, all stakeholders, viz., the shareholders, the employees, the customers, the local community and the general public. On this premise, it may be desirable to redefine the corporate concept and accept the position that directors hold it in trust for the community.

Apart from the arguments put forward by management experts, there have been research studies reflecting the viewpoints of tlie executives of many large US corporations, the large majority of whom considered assuming social responsibilities to have been positively helpful to the organisations and expected positive outcomes from social involvement of their firms by way of corporate reputation or goodwill or strengthening the social systems in which the corporation functions.

Commitment to social responsibilities has also been emphasized by many large co~npanies in India. For instance, the Cement Corporation of India (CCI) has been committed to discharge its social obligations in the areas of integrated rural develop~nent schemes and safeguarding of environmentai and ecological balance. The Indian Oil corporation (IOC) has been committed to avoid and control environmental pollution, improve the condition of scheduled castes and scheduled tribes in pursuance of national policies, and to help acceleration of all-round development of villages by providing assistance to educated unemployed to earn a living. The Tata Iron and Steel Company (TISCO) has been in the forefront in this respect. The company had launched a programme of community development and social welfare as early as 1949 for the Adivasi population in and around Jamshedpuar. It also launched a rural development programme in 1979 to raise the living standard in villages within a periphery of 10 - 15 kms. from Jamshedpur. A number of eco-friendly companies have been identified in a recent study. These include, besides Tata Steel, other companies like Asian Brown Bevaries (ABB), Coromondel Fertilisers, Indian Aluminimum, Gujarat Ambuja Cements, etc.

3.4 DIMENSIONS OF SOCIAL RESPONSIBILITIES

As emphasized earlier, the responsibilities of managers cannot be limited to the owners only. They have also to take into account the claims and expectations of other stakeholders and adopt a balanced approach so as to best serve the community at large. Accordingly, social responsibilities of business have to be considered with particular reference to its responsibilities towards owners (shareholders), the employees, the consumers, the government and the general public. Let us examine the nature of obligation of business with respect to each of these groups.

Responsibility towards Shareholders (Owners)

The management of an enterprise (company) has the primary responsibility to assure a fair and reasonable rate of return on capital and fair dividend to the owners (shareholders) as investors and providers of risk capital. Investors generally expect a rate of return on capital commensurate with the amount of risk involved in a particular field of activity. The rate of return on investment in business is expected to be higher than interest on bank deposits and may vary between 10% and 30%. Besides dividend, the shareholders of companies also expect appreciation in the value of shares over time. This may be reflected in market capitalisaton based on company's performance and management's track record. These are recognized as legitimate expectations, and have to be met in order to ensure continuity and growth of the business.

Iiesponsibility towards Employees

The nature of employer-employee relationship has undergone a sea-change over time. Gone are the days of master-servant relationship. The new orientation of the relationship is linked with the major issues of wages and salaries, supervisor-subordinate relationship and employee welfare. The principles of adequacy, equity and human dignity are expected to be the basis of management responsibility of providing fair wages to employees. In India, wage fixation is governed by well-defined concepts of minimum wages, fair wage and living wage. The lower limit of fair wage is the minimum wage, while its upper limit may be based on the capacity of industry to pay, Management responsibility lies in fixing the actual wages between the two limits with due consideration of (i) productivity of Iabour, (ii) prevailing rates of wages in the same or neighbouring areas, (iii) the level of national income and its distribution, and (iv) the place of the industry in the national economy.

Managerial remuneration including salaries and perquisites is generally linked with responsibility, risk-taking, initiative and skill. In actual practice, tlie maximum remuneration depends upon the nature and volume of business, productivity, production capacity installed, etc. Under tlie Company Law, the maximum remuneration payable is fixed including salaries and allowances, perquisites and commission, and it is linked with tlie paid up capital and profitability of the company. The amount payable when there is no profit or inadequate profit is also laid down.

It is also tlie responsibility of management to maintain harmonious relationship between managers and subordinates. This can be taken care of keeping in view the potential lapses on tlie part of both management and employees. With regard to worker performance and attitudes, management responsibility lies in taking tlie initiative in labour relations rather tlian leaving it entirely to the labour union.

Provision of welfare amenities is also an important part of management responsibility towards employees, like provision of satisfactory working conditions for safety, security, health and hygiene, medical facilities, housing, canteen, leave and retirement benefits. Under the Factories Act, 1948, the Employees Statement Insurance Act, 1948, and Employees Provident Fund and Miscellaneous Provisions Act, 1952, there are provisions whereby statutory duty is cast on tlie employers to provide for many of these amenities. Provision of welfare amenities cannot be viewed within the narrow limits of legal requirenient as, in the long run, it also enables management to secure and maintain a contented workforce for superior performance in the interest of the company. For the same reason, management has the responsibility to assess tho training needs of employees and managers at all levels and arrange regular training programmes for them so that they Iiave tlie opportunities of developing their potential abilities.

Responsibility towards Consumers

Competitive strategy of most business firms focuses on consumer satisfaction as the prime objective. I-Iowever, in a market economy, product markets are invariably characterized by oligopoly or happen to be subject to monopolistic competition, while there are traders and manufacturers who are on the lookout for creating artificial shortages of essential consumer goods. Besides, consumers are quite often victims of misleading advertisements, restrictive trade practices, unethical and unfair trading, adulteration, sub-standard quality of products, and deficiency of services. This happens because tlie market is not an effective arbiter in those matters. There are a number of legal enactments aimed at protecting tlie consumer against market malpractices. The Consumer Protection Act, 1986 has provided for a three-tier quasi judicial machinery for speedy redressal of consumer complaints and grievances. Even then, management of business firms are expected to anticipate the problems of consumers and assume the responsibility of protecting consumer interests, in the long run interest of the business itself It is expected that management should desist from hoarding and profiteering or creating artificial scarcity as also false and misleading ads. In particular, they are expected to ensure adequate supply of goods to satisfy the needs of different customer categories, the goods should be of standard quality and available at reasonable prices. Customer services are expected to be provided by way of guidance, maintenance and advice.

Responsibility towards the Government

While it is necessary that corporate management in India should contribute to economic growth by aligning with the national priorities and in conformity with the economic and social policies of the State, there are several other aspects of the social responsibility of management towards the government. Business affairs should be conducted by companies as law abiding citizen and taxes and other dues ought to be paid honestly as per rules. More particularly, management should desist from corrupting public servants or the democratic process for selfish ends, as also from attempts to buy political support by patronage or money.

Responsibility towards the Community and Public at large

Corporate accountability to the society has been advocated by many writers and social reformers to ensure that private property is used for the social good based on the concept of trusteeship. Over time, the socially responsible role of management has been defined in terrns of their policies with respect to environmental protection, conservation of natural resources, abatement of pollution, rural development, employment of the liandicapped and weaker sections of the society, locating industries in the backward areas and assisting the relief and rehabilitation of victims of natural calamities. Laws like water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act,1981, and Environment (Protection) Act,1986 have been enacted for the prevention and control of environmental pollution. These enactments require prior permission to be obtained from the Pollution Control Boards (PCBs) before setting up any industry, process or operation, involving the use or discharge of noxious gases or effluents in the air or water bodies, sewerage, etc., and comply with tlie standards of pollution set by the Boards. Moreover, submission of Environment Audit Report has been made compulsory for tlie organisation carrying on an industry, operation or process requiring consent under these Acts.

Check Your Progress A

1 What do you understand by social responsibilities of business ?

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2 Why were tlie classical econoniists opposed to the concept of social responsibility ?

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3 Why shouldn't the shareholders of a company expect the company to be managed purely in their interest ?

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4 State whether the following statements are True or False.

(a) Commitment to social responsibility has also been emphasized in audit reports of many companies in India.

(b) Social responsibility involves a consideration of social criteria along with economic criteria in conducting business activities.

(c) There is more to tlie good life than high and rising GNP.

(d) In large corporate enterprises, the shareholders have quite an active role in key decisions of the company.

(e) Competitive strategy of most business firms focuses on consumer satisfaction as the prime objective.

(f) Submission of Environment Audit Report is not compulsory in India.

5 What is the social responsibility of management towards the government?

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3.5 SOCIAL RESPONSIBILITIES REPORTING

Keeping in view the importance of social responsibilities of business towards various stakeholders, it is expected that the performance in the areas of social activity is duly reflected in the annual reports of companies. Over the last three decades, public opinion has also been increasingly in favour of corporate management reporting their performance in the areas of social activity for internal and external use. But, somehow, there is no such requirement under the Companies Act to publish the results of their social performance. In the United States, some companies have been disclosing social performance in their annual reports which included reports on environmental quality, equal employment opportunities, product safety, educational aid, charitable donations, industrial safety, employee benefits, and community programmes. But, in India, the practice of social reporting is none too promising. According to a recent analysis, social reporting as part of Directors' Report and Management Discussions and Analysis, is found in the annual reports of many large companies. Apart from the systematic nature of reporting by Cement Corporation of India, Indian Oil Corporation, and Tata Iron and Steel Company, the names of Asian Paints, Glaxo SmithKline Pharma, Satyam Computers and ITC may be mentioned in this context. The findings of a few studies have shown that disclosure of social performance by companies in the public sector has been proportionately better that of private sector companies, and that there is a significant correlation between the range of disclosure and size of the companies.

3.6 SOCIAL ACCOUNTING

Social accounting is the systematic assessment and reporting on those aspects of a company's activities that have a social impact – the impact of corporate decisions on environmental pollution, conservation of non-renewable resources, maintenance of public services, public safety, health and hygiene, education and training and other social concerns. In this context, there is another term used called 'social responsibility accounting; which refers to identification, measurement, recording and reporting, for internal and external use, the relevant information relating to the social activities of an enterprise.

Social accounting is viewed by many as an independent discipline aimed at measuring and reporting on the activities of an entity in so far as they affect the society, and is, therefore, defined as the process of "selecting firm level performance variables, measures and measurement procedures, and systematically developing information useful for evaluating the firm's social performance to concerned social groups".

3.7 APPROACHES TO SOCIAL ACCOUNTING AND REPORTING

Having learnt about the need for social accounting and reporting let us now discuss the various approaches that can be adopted by corporate enterprises.

Valuation of social costs and social benefits is one approach which is often adopted by various government agencies for comparing the socio-economic impact of public projects in terms of cost-benefit ratios. To estimate the total value of benefits and costs, this approach requires the use of shadow prices with respect to inputs and outputs for which market prices do not reflect the real economic or social worth. Also it is considered desirable to discount the social costs and benefits at the social discount rate to estimate their social net present value.

Another approach consists of **measuring the worth of social investments** by estimating the 'market worth' of expected benefits to be derived by the people affected. The assumption here is that consumer preferences are most significant in the valuation of social goods and services. For this purpose, a sample survey may have to be conducted to ascertain whether the social activity is perceived by the affected population as a benefit or cost. The perceived degree or amount of benefit or cost should then be the basis of calculating, in money terms, the average unit cost or unit benefit per person. The total cost and benefit should then be arrived at by multiplying the unit cost or benefit by the number of persons affected by the social activity.

A third approach which may be adopted for measuring social performance consists of **developing 'social indicators'** and measuring on that basis a firm's contribution to the quality of life in different areas such as socially desirable profit earning, human asset values of the organization, generating employment for backward and socially handicapped people, rural upliftment, educational development, environmental improvement, quality of products and services, etc. The limitations of the 'social indicator' approach are : (a) The indicators may be selected arbitrarily and are often of a surrogate nature, particularly because there is no comprehensive basis for selecting the indicators, and (b) Aggregation of contributions made in different areas is difficult.

The concept of **'social goal accounting and reporting'** is the basis of another approach which does not suffer from the limitation of arbitrary selection of social indicators. It requires the indicators to be related to the societal goals set by the company. Thus, the management is to select their 'social market' by reference to their own analysis of the environment, and then identify those areas of social activity they believe they can contribute effectively by increasing benefits and reducing costs. The social report will then focus on the objectives of a specific period, resources allocated, achievements made in the area, and problems, if any, to be resolved. It may enable management to integrate financial reporting and social reporting. Economic and social performance may be evaluated internally or externally so that stakeholders are able to take a balanced view. However, this approach involves an elaborate time-consuming process.

Yet another approach called **`integral welfare approach'** suggests that social reporting be carried out by way of a social profit and loss account and a social balance sheet. The social profit and loss account is to include a list of producers' surplus and consumers' surplus as also the positive and negative external effects of corporate activities and indicate the net social benefits or net social costs. The social balance sheet, on the other hand, is to include social assets and social debts. Since 1980, the Cement Corporation of India continues to publish Social Income Statements with the Annual Reports. The format is more or less on the lines suggested above. The Social Income Statement is divided into three parts : (i) Social Benefits and Costs to Staff, (ii) Social Benefits and Costs to Community, and (iii) Social Benefits and Costs to General Public.

Broadly on the same lines as above, but with a difference, is another approach to social reporting based on the concept of **'socio-economic operating statement'** which focuses on "what a corporation has done for society on the one hand and what it has failed to do on the other". The socio-economic operating statement should be prepared along with the financial statements of the company, should include all expenses incurred by the colnpany voluntarily for social causes, and offset against those expenses the costs of similar social welfare activities which were brought to the attention of management but which the management ignored.

3.8 SOCIAL AUDIT

Social audit refers to the process involving a retrospective review of tlie impact or contribution of a company to the recognized social dimensions. It may be regarded as a tool of tlie socially responsible colnpany and undertaken by itself or an by independent agency for the purpose of planning, control and accountability for its performance of the corporate social activities. It may also involve attestation and authentication of the information so as to reveal in true perspective, with greater accuracy and reliability, the performance details. It lias been pointed out that though social audits have been undertalcen in a number of countries, the subject lias not yet attained the status of a science.

According to Clark G. Abt, the well-known exponent of social audit, "social audit, as far as possible, should be approximated to an ordinary commercial audit". He has argued that social audit should be based on a social balance sheet with a 'credit' side and a 'debit' side ('inputs' and 'outputs' or 'costs' and 'benefits'). This is because "the basic purpose of a business corporation is to maximize the financial return earned on its financial investment. To make rational investment decisions in the social area it is necessary to know what the social returns are, and if we are to assess them by the same measures as for financial investment, these must be expressed in money terms". The concepts of "consumer's surplus" and "shadow prices" may be used to measure inputs and outputs ('costs' and 'benefits'). If the social balance sheet is prepared in money terms, the colnpany may be able to invest more efficiently in the social area on the basis of social audit report, and derive optimum results by allocating the scarce social and financial resources among competing interests.

However, it is easier said than done. The externalities of social costs and benefits cannot be amenable for treatment applying the tenets of traditional business accounting. Like the market economy, business accounting focuses on the world of transactions, while tlie problems which social accounting is expected to cover have become problems precisely because they lie outside the world of transactions. Moreover, application of shadow prices and consumers surplus may prove to be too costly with respect to social activities, if not impossible.

It may be worthwhile to note that despite the above problems, social audit was carried out for the Tata Iron and Steel Company (TISCO) by a Committee appointed in October, 1979 which submitted its report in 1980. The report was prepared following the 'socio-economic operating statement' model, though not exactly on the same lines. The Committee in its report also pointed out certain inadequacies but observed that the social performance of the colnpany has been of a high order, and in its magnitude perhaps unparalleled in India.

Check Your Progress B

1 Define social accounting.

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2 Enumerate the areas of quality of life in respect of which the social indicators are expected to help in measuring firm's contribution to it.

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3 Fill in the blanks.

(a) Social reporting as an integral part of .... is found in the annual reports of some companies in India.

(b) There seems to be a significant correlation between the range of disclosure with ....of companies.

(c) Social balance sheet shows the social .... and social.,........

(d) Social economic operating statement should include all expenses incurred by the company ....for social causes, and offset against those expenses the cost of similar social activities which the management ....

(e) It has been pointed out that though social audit has been undertaken in a number of countries, the subject has not attained the status of ....

(f) Social audit, as far as possible, should be .... to an ordinary commercial audit.

3.9 SOCIAL RESPONSIBILITIES OF BUSINESS IN INDIA

The issue of social responsibilities of business has been gaining the attention of the business community in India since early 60s. An international seminar on social responsibilities of business was held in New Delhi in 1965 where a declaration issued at the conclusion of the seminar defined social responsibility of business as 'responsibilities to customers, workers, shareholders and the community, and correlated it with Gandhian concept of trusteeship. Another seminar was held in Kolkatta in 1966 which discussed the social responsibilities of modern business. It formed a standing committee which set up a special study group consisting of economists, sociologists, businessmen, representatives of accounting and management professions, and representatives of chambers of commerce to prepare a set of business norms for adoption by the business community. The Study Group had suggested that the business must accept responsibility to the society and its various constituents as a trustee. Its responsibilities extend beyond the business to the lives of the people and the community. The businessman, therefore, should promote civic amenities and help create better living conditions as well as help in making people law abiding, improve the administration of municipal and industrial affairs, More than that, the businessmen are to set up socially desirable standards of living for themselves, avoid ostentations, wasteful and improvident expenditure in weddings, festivities and parties.

The above aspects apart, the social responsibilities of business in India also require businessmen to give a fair deal to customers in terms of price and quality, ensure availability of products, and avoid unfair trade practices, profiteering, hoarding, black marketing, etc. Tliey slioild not mislead the consumer and the community by untruthful and exaggerated advertisements. Their responsibility towards employees is also defined scrupulously so as to promote co-operative spirit, provide fair wages and promotion, and pursue a progressive labour policy. Similarly, their responsibility towards the state has been elaborated with respect to payment of taxes and against buying political support and corrupting public servants. The Sachar Committee (1 978) which also went into the questions of social responsibilities of companies observed that the social responsibility of business to the community can no longer be scoffed at and that its acceptance must be reflected in the disclosure of all information for the stakeholders. But more importantly, the business houses are to contribute towards environmental protection, conservation of scare natural resources, abatement of pollution, rural development and employment generation, and annex a social report to director's report which should indicate and quantity in the responsibility aspects which have been carried out by the company during the period. In fact, some companies, as pointed out earlier, have already started including such information in their annual reports. Let us, for example, look at the contributions of Asian paints, Glaxo SmithKline Pharma and Satyam Computer Services based on their disclosures in their annual reports.

Asian Paints : It approaches corporate social responsibility from the perspective of being a responsible corporate citizen. There has been a continuous effort to take up initiatives in various quarters and ensure sufficient resources for the sustenance and continuity of the same. The company has identified projects across all its manufacturing locations in the country primarily in the areas of education, healthcare, and rain harvesting.

Glaxo SmithKline Pharma : Corporate social responsibility continues to be an integral part of GSK's business. It makes a contribution to society through medicine donations, conducting healthcare awareness programmes and community development. The uniqueness of GSKs social initiatives lies in the development of self-reliance by tackling issues through the involvement of the beneficiaries themselves. While selecting projects, priority is given to those which contribute to healthcare, especially of women and children. New initiatives in the field of education are an area of focus.

Satyam Computer Services : It has set up Satyam Foundation as company's arm to fulfill its responsibility to society at large and serve the underprivileged in the urban area. Headquartered in Hyderabad, the Foundation provides services in the areas of education, healthcare livelihoods, environment, rehabilitation of destitute and alms seekers, AIDS awareness, slum development and emergency /trauma care. Satyam Foundation is an inclusive organisation working with governments, other NGOs and academic institutions.

It will not be out of place to also make a mention of ITC initiative in transforming the Indian farmer into a progressive knowledge seeking citizen and linking him to consumers in local and global markets through its e-clioupal movement started in the year 2000 which has covered 10,000 villages in 4 states so Far and keeps on adding five villages every day. In addition, ITC has initiated programines in the areas of social and farmer forestry, integrated watershed development, economic empowerment of women, primary education, and EHS efforts encompassing employee safety, energy and water conservation, and reduction in GHG emissions. These initiatives are quite encouraging and establish the growing awareness ainong Indian business units in respect of their social responsibilities and reporting their contribution.

3.10 LET US SUM UP

Social responsibility of business refers to the obligation of business enterprises to decide on policies and plans of action in the social interest and for social good. It was realised that economic considerations could not be viewed in isolation from social considerations and it became necessary to assume responsibilities commensurate with the social power wielded by the corporate enterprises.

Modern writers have put forward the case for social responsibilities of businesses on several grounds. Besides, there have been research studies reflecting the viewpoints of corporate executives that assuming social responsibilities have been positively helpful to organizations and they expected positive outcomes from social involvement.

In the nature of things, social responsibilities of business have to be considered with particular reference to responsibilities towards shareholders (owners), employees, consumers, the Government, community and public at large.

Over the years, public opinion has been increasingly in favour of socially responsive corporate management reporting their performance in the area of social activity for internal and external use. In India, as in the US, social reporting as an integral part of director's report is practiced by some companies, and the same is expected to grow in due course.

Social accounting is the systematic assessment and reporting on those aspects of a company's activities that have a social impact. There are several approaches to the assessinent and reporting of the impact of social activities, viz., (i) valuation of social costs and social benefits; (ii) measuring the worth of social investments by estimating the 'market worth' of expected benefits to be derived by people; (iii) 'social indicators' approach; (iv) social goal accounting and reporting; (v) preparing a social profit and loss account and a social balance sheet; and (vi) socio-economic operating statement.

Social audit refers to the process involving a retrospective review of the impact and contribution of a company to the recognized social dimensions. According to Abt, it should be carried out, as far as possible, on the same lines as the commercial audit. This is so because to make rational investment decisions in the social area, it is necessary to know what the social returns are.

3.111 KEY WORDS

Power-Responsibility Equation : Balancing responsibility with power.

Shadow Price : Shadow price of an input is the value of the input to the firm as opposed to the market price which is paid for it.

Social Accounting : A systematic assessment and reporting on those aspects of company's activities that have a social impact.

Social Audit : Review of the impact and contribution of a company to recognised social dimensions.

Social Balance Sheet : It presents the social assets like organization, research, taxes paid, and the social liabilities employee commitments, organizational liabilities, environmental degradation, and consumption of pubic services paid for by taxes, the net of the two being society's equity.

Social Discount Rate : The consumption rate of interest, i.e., the rate of interest to be offered to an investor so as to induce him to forego an additional unit of present consumption. Alternatively, it could be the rate at which the value of savings decline over time.

Social Income Statement : It is an annual statement in which social benefits to employees, community, consumers and the general public are added, and social costs to each constituency are subtracted, in order to determine a net social income for the year.

Social Responsibility : Obligation to meet social needs.

3.12 ANSWERS TO CHECK YOUR PROGRESS

A	4	(a) False	(b) True	(c) True
		(d) False	(e) True	(f) True
B	3	(a) directors' report	(b) size	(c) assets, debts
		(d) voluntarily, ignored	(e) science	(f) approximated

3.13 TERMINAL QUESTIONS / EXERCISES

1 Why should business be concerned with resolving social problems? Explain briefly, and state the benefits likely to be derived in the long run by socially responsive companies.

2 Give five arguments to justify business enterprises assuming social responsibilities, and enumerate corporate social responsibility efforts made in India.

3 Explain the nature of responsibilities of management towards (a) employees, and (b) community and the general pubic.

4 "Protecting consumer interest is the primary responsibility of management". Do you agree with the statement? Elucidate.

5 Explain the concept of social accounting and the various approaches adopted for social accounting and reporting.

6 Write explanatory notes on :
(a) Social audit
(b) Social Cost-benefit Analysis
(c) Social Reporting.

> **Note :** These questions will help you to understand the unit better. Try to write answers for them, but do not submit your answers to the university for assessment. These are for your practice only.