CHAPTER I
INTRODUCTION

Even after 50 years of economic planning, India continues to exhibit the basic characteristics of an underdeveloped country. The Central Problem of such a country is mass poverty as indicated by a low level of per capita income and is the cause and consequence of under development. Primarily obsolete methods of production and social organisation results in mass poverty and thus, it is not necessary to relate poverty to poor natural resources. An under developed economy can have good potential prospects for using material and human resources towards achieving a higher rate of economic growth in terms of per capita income.

The per capital income in India is far less than that of other developed countries. According to the World Development Report 2000-01, the per capita income of India in 2000-01, was $ 450. The per capita income of China was 780 and that of UK # 22640, Japan # 32,230 which are incomparable to the Indian per capita values. During 1960-80, developed economics grew at a faster rate than the Indian economy, but during 1990-00, Indian economy has grown at a faster rate than the developed economics. Even thou the difference in the per capital income between India and the developed economics is very large.

Primary production occupies an important place in the economy because in agriculture alone 61% of the working population are engaged. The active population who are involved in agriculture in other countries ranges from 2%-5% in developed countries and in our neighbouring countries like Pakistan it is 48% and in China it is 69%. But the India agriculture suffers from low productivity due to obsolete methods of cultivation as well as disguised unemployment of farmers.
The economy is further characterised by low capital formation. The gross domestic investment and savings as a percent of gross domestic product in India is 24% and 23.4% respectively by the end of the year March, 2001. A still higher rate of gross capital formation alone can pave the way for economic growth to improve living standards of the population. Though the savings rate is 20%, which is sufficiently high, in the context of raising population is not adequate.

A major development issue in India is to eliminate unemployment and to provide gainful employment to millions of people who are without work. The planning commission estimated at the beginning of the Ninth Plan, the incidence of open unemployment was 2.02% of the labour force. Besides this, 8.43% of the labour force is under employed. Moreover 53 million persons were added to the labour force during 1997-2002. Thus, the provision of employment to those suffering from open unemployment and under employment because a major task of the planning process in India.

The economy also exhibits a lack of suitable economic organisation necessary for adequate capital formation. Landlords, moneylenders, and indigenous bankers acted as parasites and appropriated a major share of production which was spent in extravagance. Hence, the presence of a better financial institutional infrastructure of credit.

Role of Banking system in the process of economic Development:

The financial infrastructure which consists of various types of financial institutions influences the process of development to a great extent. The role of an individual banker is no doubt, essentially a passive one, but the role of banking system as a whole is both active and important for economic development. Since the banks are affected by the policies of the Central Bank, the study of the role of commercial banks
would be incomplete without understanding how the central banking influences the process of development. As such the analysis is presented in two parts.

**Central Banking and Economic Development**

The central bank of a country has an important role to play in the process of development. The bank as a monetary authority is greatly concerned with the formation of a monetary authority is greatly concerned with the formation of a monetary policy in consultation with the Government. As unwise and inappropriate monetary policy retards economic growth. So, it is imperative to frame it in consonance with fiscal policy and other economic and social goals. It is influenced by many factors like the Government attitude, basic monetary law, scope and extension of the policy, and management of the various banking institutions and co-operation among them.

Monetary policy is a part of public finance which not only includes monetary policy but also fiscal policy and debt management of the Government. For successful economic planning, public financial management including monetary management should be in harmony with economic planning. A central bank of a country co-ordinates management of public finance including monetary management with the planned process of economic development.

The main objectives of the monetary policy in the developing countries, generally, are rapid economic growth, full employment, price stability and a rise in foreign exchange and the living standards of the people. No doubt, monetary policy alone cannot achieve a rapid rate of economic growth. This depends upon the real factors and the manner in which these factors are increased, mobilised and used with greater efficiency. But, this does not mean that monetary factors, have no role to play in the process of economic development. If the real factors are short
and are joined by lack of monetary factors, the problem of underdevelopment would be still more serious. Adequate monetary resources help these “vital real resources” or factors to come into play and keep the process of development going without interruptions, particularly when savings are meagre and fiscal policy is inadequate.” Thus, a central bank helps speedier and smoother economic development “by synchronising the rate of growth of the credit creating capacity of the banking system with the rates of growth of output and productive capacities”.

In order to perform successfully its role in the process of development, the central Bank of a country needs a sound banking system, the development of which is greatly affected by it. In this context, the Bank has got both promotive and regulatory roles. The former role is long term and relates to widening the area of institutional savings and credit and providing for monetary expansion so as to keep the process of development uninterrupted. The bank does this by providing opportunities of refinance and re-discount to banks for enhancing liquidity of their funds through increased shiftability of their assets. Consequently, more public confidence is aroused in the banking system which facilitates the expansion of the area of institutional savings. For monetary expansion necessary for keeping process of development uninterrupted, the role calls for reorientation of other institutions concerned with investment and necessitates changes in the organisation and structure of the banking system. The regulatory role is short-term and includes regulation of bank credit through various credit control measures to the levels dictated by the economy’s current supply availabilities and to control its direction in accordance with the overall priorities of development. However, the effectiveness of the regulatory role depends much upon how the promotive role is performed by it.
Commercial Banking Economic Development:

The importance of commercial banks in the process of economic development has been stressed from time to time by economic thinkers and progressive bankers in the country. Commercial banks play a very important role in the Indian economy as they are well known as the heart of the financial structure. The activities of banks in lendings, investments, and related activities facilitate the economic process of production, distribution and consumption. In fact, the success of economic development depends essentially on the extent of mobilisation of resources and investment and on the operational efficiency and economic discipline displayed by the various segments of the economy. From the economic point of view the major task of banks and other financial institutions is to act as intermediaries channelling savings to investment and consumption; through them, the investment requirements of savers are reconciled with the credit needs of investors and consumers. The role of banks in the process of economic development via production, distribution and consumption can be shown in the following figure:

![Diagram showing the role of banks in economic development]

Indian banking has aided the economic development in an effective way during the post-independence period. The banking sector has shown remarkable responsiveness to the needs of the planned economy. It has brought about a considerable progress in its efforts towards branch expansion, deposit mobilisation, priority sector lending, and other economic and social responsibilities. The contribution of banking sector towards the process of economic development can be described as under.²
(a) **Developed Financial infrastructure:**

A basic infrastructure is necessary for removing market imperfections for the maximum utilisation of scarce productive resources. Financial infrastructure is an important part of it. It consists of a spectrum of financial institutions of diverse types. This is a necessary medium for effecting the transfer of funds from savers to investors. This eventually facilitates the process of economic development through capacity-creation, income-generation and structure changing.

Commercial banks, a major part of the financial infrastructure, provide both "savings intermediation" and "money-market intermediation". This process brings about consistency among the asset preferences of the households, the ultimate savings units, and the liability preferences of business firms, the fundamental investing units. This is being facilitated by the ability of these banks and the size of the money market to emit liabilities with risk attributes that households prefer to absorb, while absorbing assets instruments with risk attributes that business firms prefer to emit.

The development of commercial banking also helps the money market to grow, for its progress would be the progress and expansion of the money market, as it constitutes itself a major part of the latter. Thus, these banks are important as they provide the basic financial infrastructure, which facilitates the uninterrupted functioning of the economic system.

(b) **Capital-Formation:**

Capital-formation has been one of the important requirements for economic development. It requires the real savings of the community to be invested in the production of capital goods. It is here that commercial banks can play a pivotal role as intermediaries by bridging the gap between savings and investments. Banks, as "repositories of peoples'
savings" mobilise small and scattered savings of the community, and, as "surveyors of credit", channelise the savings so mobilised into the production of capital goods and, thereby, facilitate capital-formation. In other words, funds lying idle with savers and small funds scattered far and wide with marginal savers are mobilised and potential savers are encouraged to save with commercial banks. Besides, they transfer funds from the savers to the investors for more profitable use. Thus, commercial banks provide: (i) lucrative opportunities of investment to the savers, (ii) funds for investment to the entrepreneurs, and (iii) capital-formation to the country. The banking system performs this role by providing mobility to capital funds through its savings and money market intermediations.

(c) **Entrepreneurial Ability and Employment Opportunities**:

The mere act of saving and its mobilisation cannot result in the formation of capital unless it is invested in the production of capital goods. This, in turn, requires an adequate number of entrepreneurs, the supply whereof is inadequate in developing countries like India. Entrepreneurial ability may be defined as the propensity of man to take calculated risks with confidence so as to make his enterprise a success. Commercial banks have got an important role to play in this field also. They encourage entrepreneurial ability in two ways: (i) by providing timely and adequate amount of credit to those with technical skills and entrepreneurial talents who are not coming forward on a higher economic plane for want of sufficient capital; and (ii) by attenuating uncertainty and absorbing risk in arranging capital needed for their plans to be implemented.

The availability of bank credit enables entrepreneurs to harness innovations by bringing about new combinations of productive resources, drawing resources away from their existing comparatively low yielding
employment and employing unemployed resources. This in turn helps the economic system to get on a higher plane of economic activity.

(d) **Consumption, production and distribution of goods and services:**

Economic development demands an adequate and flexible amount of credit. The basic function of credit is to enable business firms and individuals to purchase goods and services ahead of their ability or of their desire to pay. Commercial banks are the major suppliers of credit in the capacity of both “residual suppliers” and “primary suppliers”. When these banks supply credit to supplement the savings of individuals and firms, they act as “residual suppliers”. They are “primary suppliers” of credit when they meet all the credit needs of individuals as well as business firms when the latter have little savings of their own.

A commercial banking system provides more credit than its primary resources through the process of credit-creation, of course, within the limits set in by the volume of primary deposits, the necessary liquidity requirements and the size of the money market. Commercial banks, through their process of creation of credit, bridge the gap between actual savings and desired savings warranted for a rapid rate of economic development. The absence of desired savings otherwise would have been limited the productive activities in the economy to the extent that the savings are actually available for investment. Apart from this, the gap is also bridged by mobilising actual savings of the community which would otherwise be reduced due to imperfections in the financial markets and the consequent immobility of funds including small and scattered savings – lying either idle or spent on luxury goods, jewellery, and other unproduction purposes.
(e) **Stabilising the prices:**

The erratic behaviour of prices is not helpful in the steady and rapid rate of economic growth. It demands stability of prices of goods and services. Commercial banking system, through this decisions to provide or not to provide credit, has also got an important role to play in stabilising prices. The direction of the flow of credit has an important bearing on price stability. Credit which stimulates production has one type of impact and credit which raises the levels of consumption has another. Even the credit which goes to production purposes can have different repercussions depending on the time lag between the increase in demand and the increase in supply which the credit generates. If too much credit goes to longer gestation uses, it can have an adverse affect on the price level.

Cheap and timely credit, assuming adequate availabilities of other things, helps producers in getting things produced at a lower cost, which is one of the important considerations for fixing up the prices. Besides, it also helps in balancing demand and supply conditions, and its absence causes disequilibrium in these conditions, thereby, causing price fluctuations. A growing economy needs increasing supply of money but its supply should be elastic to the extent that is geared to the seasonal demands of business, otherwise it would have adverse affects on the general price line.

(f) **Helping the Government:**

Commercial Banks also facilitate the activation of the Government motive force for economic development. They provide and help in arranging finance to the Government through various methods like direct credit to the Government and various Government agencies; and through subscribing public debt and investing money in various Government securities. This process of credit supply enables the Government to implement various schemes of development. The banks also help the
Planning Commission to achieve targets through their co-ordinated working with the Commission. By providing credit to the needy in the country-side, they help the balancing of the economic development, and thereby, decentralising it. Their working also indirectly helps the Government to solve many problems of development like shortage of savings, rising prices, unemployment, unbalanced development, lack of entrepreneurship, etc. Besides, by encouraging the banking habit and popularising the use of credit instruments, they also help Government in reducing the social cost of supplying currency to the public. Thus the banking industry has been playing different roles in the transformation of the development process of the economy viz. Branch expansion, deposit mobilisation, priority sector lending etc. This has resulted in the conversion of class banking into mass banking. However the enormous growth of bank branches have resulted in the following.

❖ The enormous growth of banking sector has led to insecurity to customers.
❖ In the wake of liberalisation, privatisation and globalisation of the economy, there is a strong need felt to bridge the gap between banker and customer through adopting a policy of social orientation i.e., in other words social responsibility philosophy and practices.

Impact of Information Technology on Banking Sector:

Use of information technology in banking sector started as a productivity tool for automating book keeping and interest computation. upto late 1960's punched card accounting machines or ledger keeping machines were used and later the computers were programmed to simply replace the ledger posting machines. There were a series of committees like Narasimham Committee-II, committee on technology upgradation in Banking sector etc., to deal with introduction and implementation of information technology in banking sector. As a result, there are a series of new products and services which are introduced. These include e-
banking, on-line banking, credit card, debit card, smart cards, ATM's etc. The branches, regional offices and central offices are computerised to facilitate the flow of information at a faster rate. In the process, the personal relationship between banker and customer has been gradually disappearing. The interaction between the branch and customer is being lost. This has an adverse affect even on the social activities of the bank.

Concept of Social Responsibility:

A discussion on the concept, rationale of social responsibility and response models of business, organisations that consider social responsibility as an integral part of the organisations philosophy is necessary to examine the relevance and performance of social responsibility of banks in India.

Since independence, India has planned and implemented her industrial growth to achieve social justice and to improve the quality of life of her teeming millions. In this direction, she adopted the socialistic, democratic philosophy and the principle of mixed economy assigning a major role to public sector. Responding positively to the aim of the Government, socially conscious business and management associations, social activists and institutions and enlightened industrialists have propagated the philosophy of corporate social responsibility. Several industrial organisations with enlightened interest have also been experimenting with a variety of social responsibility programmes.

Social Responsibilities Movement in India:

In fact, the concept of social responsibility of businessmen is an ancient one. Arvind Mafatlal opined that the acceptance of social responsibility by modern industrial and business organisations is to be viewed no more than rededicating ourselves to the cherished values of our ancestors in the field of business.\(^4\)
Efforts of Business and Management Associations:

As a socially conscious organisation of business, Federation of Indian Chambers of Commerce and Industry (FICCI) ever since its inception in 1927, has been taking active interest in rural development, family planning and social welfare. FICCI has called upon the management's of all enterprises in the country not to do anything that will result directly or indirectly in any restrictive trade practices. But, on the contrary, do everything in their power to support the objectives of spreading entrepreneurship, safe-guarding economically weaker sections of the society and promoting balanced development in terms of economic sectors and different regions.

In 1972, FICCI recommended guidelines for the conduct of business. It was urged that social good should always be the first priority and a spirit of service should permeate all activities. Good citizenship, it was emphasised, consists in scrupulous adherence to all laws economic, social and others. Besides, large enterprises should provide opportunities and assistance to small enterprises to grow up as ancillaries or as producers of end-products; adequate provisions should be made for research and development; growth of skills through all means should be actively assisted and environmental pollution avoided. It is towards this end that FICCI has constituted a special sub-committee known as Rural Development, Family Planning and Social Welfare Sub-Committee in 1976.

The Sub-Committee is supposed to play the role of a catalyst and co-ordinator in the development activities undertaken by business houses. Its activities included organising Seminars and Workshops to motivate businessmen and also to provide them a forum for exchange of views, organising training programmes for executives in charge of rural development, compiling profiles of small and medium technologies which would fit into the rural setting. For instance, it organised a Training
Programme for Executives Incharge of Rural Development Projects' in collaboration with the Federation of Karnataka Chambers of Commerce and Industry and Centre for Rural Development Studies, University of Agricultural Sciences at Bangalore from 20th to 22nd October, 1980. It conducts surveys to review the activities and problems of the industrial houses involved in rural development to facilitate exchange of ideas and effect improvements. FICCI instituted in 1968, Annual Public Service Awards for outstanding achievements by individuals, corporations and institutions in the field of family planning, research in science and technology (including three cash awards of Rs.10,000 each) rural development and training and placement of disables persons.

Another important organisation, The Indian Merchants Chamber, (IMC), with a view to enabling the various member companies to discharge social responsibilities has formed a special Sub-Committee. It propagates among the masses the need for family planning, and discusses and formulates schemes for member organisations. It instituted a 'Permanent Relief Fund' from which it makes contribution to mitigate the hardships of the people affected by national calamities such as drought, flood, earth quake, cyclone etc. On 22nd and 23rd November 1980, it organised a Seminar on 'Rural Development: Involvement of Business and Industry' under the joint auspices of IMC, Bombay Management Association and Bombay Chamber of Commerce and Industry in which 150 top and senior executives from various companies participated. On October 7, 1993, it organised jointly with University of Bombay and Indian Council of social Science & Research (ICSSR) a seminar on "Social Responsibilities of Business: Changing perspectives in 1990s".

ASSOCHAM, which is the oldest apex body of commerce and industry in India, has instituted annual awards in four specific areas -
which are considered of 'utmost critical importance to the Indian Economy'. These are:

(a) Consumer protection and service through an appropriate distribution network;
(b) Import substitution through indigenous R&D;
(c) Promotion of rural and agricultural activities;
(d) Promotion of ancillary industries through self-employed entrepreneurs in small-scale sectors.

The All India Management Association (AIMA) and its 27 affiliates celebrated 'Management Consciousness Week' during the period February 12-19, 1970, to promote social consciousness among managers and enhance management consciousness in all organisations in the society. The National Management Convention held through February 12-14, 1971 drew managers from various organisations in different sectors of the economy. It highlighted the changing environment, the direction and magnitude and explored how managers in different sectors can manage this change and play a positive role in giving a sense of direction. In 1978, All India Management Association hosted the World Management Congress of the 18. World Council Management held in New Delhi from 5th to 8th December. The main theme of the Congress was: 'Management Perspectives for Economic Growth and Human Welfare'. The Congress has given opportunity for getting new insights into the evolving close interrelationships between the economic progress and social welfare and for outlining the role of contemporary managers in the emerging new context.

AIMA and its affiliates conduct Seminars, Workshops and symposiums on various aspects of management. AIMA conducted a symposium on 'Industry's Role in Rural Development' on September 9, 1977 and also a workshop on January 23, 1981. Bombay Management Association, conducted in 1978 a seminar on 'Rural Development —
Opportunities to Industry' and in 1980 it held another seminar on a similar theme jointly with IMC and Bombay Chamber of Commerce and Industry.\textsuperscript{10}

The academic bodies and professional institutes have done much for the promotion of social consciousness among Indian managers. Almost all universities offering management courses included the theme – social responsibility of Business-as topic for study. The School of Commerce, University of Rajasthan conducted a seminar on Business Leadership in India, on February 25\textsuperscript{th} and 26\textsuperscript{th} 1968, which urged the business leaders to be responsible to various classes of citizens, institutions and the nation as a whole.\textsuperscript{11} The All India Commerce Association in its XVIII conference at Waltair from December 22-25, in 1974, discussed the social responsibilities of business.\textsuperscript{12} The Sixth National Convention of Company Secretaries held on February 16\textsuperscript{th} and 17\textsuperscript{th} at Goa, examined the conceptual controversies and design problems of social report and social audit.\textsuperscript{13} The XXIII National convention of Cost and Management Accountants held through February 7-9, 1981 discussed ways for achieving social audit through cost audit.\textsuperscript{14}

A seminar was held on Good Corporate citizenship-Business and Social Development Perspective on 7\textsuperscript{th} August 1997.\textsuperscript{15} There has been a drastic change in the attitude of people towards investment of their retirement funds. A market research which was conducted in 2001 in Britain confirm that a large majority of British public would like their pension funds to be invested in a socially responsible way. This has increased the responsibility of executives of various corporations to reorient their policies in this direction.\textsuperscript{16}

Active role of Media and Social Institutions:

In 1965, seminars were held at New Delhi, Bombay and Calcutta at the instance of Late Sri Jayaprakash Narayan, the great Sarvodaya
leader by the Indian International Centre and Gandhian Institute of Studies at Varanasi. The Calcutta seminar set up a Study Group under the Chairmanship of Sri P.B. Mukharji to find out the forms, standards and nature of social responsibility of business. This had set pace for the active consideration of business and society relationships by industrial houses and the associated organisations.

The press in India is sensitive to the transforming role of business and making efforts to keep public informed about the view of executives, the performance details of the enterprises and the various problems they confront in the discharge of their obligations, through publication of articles, interviews and special features. 'Industrial Times' in one of its issues in 1978 published under the caption 'Management and Rural Development', the interview responses of executives of some leading companies engaged in rural development. 'The Economic Times' brought out a special feature focussing on Social Responsibilities of Business and Trade Union. It presented the views of some of the eminent industrialists and active trade union leaders. The Institute of Current Affairs conducted a seminar on September 13, 1980 on social responsibilities of business and labour and it was in a detailed way published by Parlance, a monthly Journal of Public Opinion and Analysis.

NATURE:

The concept of social responsibility has become a complex one. It has a positive side as well as negative side. On the positive side, its focus is on solving community problems with a view to living up to public expectations. On the negative side, it aims at avoiding public criticism by restoring social balance through production of social benefit equivalent to social costs. It is also interpreted as an attitude, as a constraint, as a cost, as a goal, and as a policy. It is also defined as a social reform and a social movement. It is considered a relative term as no absolute
interpretation of it at any point of time at any place is possible. It is seen as a natural obligation, a moral duty, a legal compulsion, a civic responsibility or statesmanship.

As Votaw says:

"The term (social responsibility) is a brilliant one. It means something but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a casual mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware', many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid, a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen at large."\(^1\)

Different View Points:

The following viewpoints of various writers throw light on the different shades of opinion on social responsibility.

The early focus of corporate social responsibility was on improving the lot of workers who were subject to untold miseries by the exploitative tendencies of employers. Robert Owen (1771-1868), whose ideal of life put social responsibility above the service of the self proved that by assumption of social responsibility a business can pay. He exhorted his fellow employers that they should pay as much attention, if not more, to the animate machines (workers) as they paid to the inanimate machines.\(^2\)

Walter Rathenau (1867-1922), the German Executive, statesman and philosopher who thought more deeply than any other westerner of his
time about the social responsibility of business proposed replacing the word profit with responsibility.23

Seebhom Rountree discussed the social responsibility, which the employer bears towards his employees by virtue of his power and wealth in 'The Human Needs of Labour (1918)'. He suggested steps like participative management and advocated progressive measures such as employment benefits, counselling, educational programmes, recreational and housing facilities, creation of separate industrial psychology departments in business organisations.24

Henry L. Gantt (1919) cautioned industrialists: "The business system must accept its social responsibility and devote itself primarily to service or the community will ultimately make the attempt to take it over in order to operate it in its own interest."25

Elton Mayo (1933) argued that those countries whose businessmen turned away from just economic profits to more responsible goals would develop in a stable and secure manner while others would experience social disorganisation.26

In 1932, Adolf A. Berle Jr., and Gardiner C. Means27 questioned the relevance of the traditional assumption of rigorous market competition that justifies private enterprise by showing the concentration of economic owner and control in a relatively few managers and in so doing, started a continuing debate on social responsibilities. Greater corporate power has become a precondition of the doctrine of socially responsible management.

Adolf Berle has introduced two important ideas—corporate conscience and public consensus—as the governing means of conduct of managers in enterprises as he has opined that, the proposed private
business responsibility is seen not to be private at all\textsuperscript{28}. In another context he writes:

"The corporation's role is not purely economic, though to be so is indeed its primary function; not purely economic, though profit is surely its purpose."\textsuperscript{29}

Bowen (1953) sees social responsibility as an indispensable means for the continuance of free enterprise.

"It is becoming increasingly obvious that a freedom of choice and delegation of power such as businessmen exercise would hardly be permitted to continue without some assumption of social responsibility."\textsuperscript{30}

Admiral Ben Moreell (1956) Chairman of the Board, Jones and Laughlin Steel Corporation asserts this view:

"I am convinced that unless we accept social responsibilities, the vacuum created by our unwillingness will be filled by those who would take us down the road to complete statism and inevitable moral and social collapse."\textsuperscript{31}

According to Rostow (1959), a corporation's social responsibility is limited to stockholders only. To him, the stockholders (owners) represent the apex of the corporate structure and inasmuch as the corporation extends its habitat beyond the limits of its ownership it only negates its primary obligations and thus reduces its functional utility.\textsuperscript{32}

Milton Friedman (1962) considers social responsibility subversive doctrine.
"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception of fraud. Social responsibility other than this is a fundamentally subversive doctrine."

Daniel Bell (1974) however, thinks otherwise. He regards it as a natural human attachment.

"When one uses the phrase 'Social Responsibility of the corporations, one is not indulging in rhetoric (though many corporate officials are), or thinking of noblesse oblige (which fewer corporate officials do) or assuming that some subversive doctrine is being smuggled into the society (as some laissez faire economists suggest) but simply accepting a cardinal socio-psychological fact about human attachments."

Social responsibility is viewed as a cost and tax—by Business and Society Review (1972). It writes:

"The spending on social responsibility projects increases prices to all customers. In effect this is a tax. In the years ahead, the so called private corporation will find itself increasingly subjected to external constrains never dreamed of at the Harvard Business School."

Nicholas N.Eberstadt (1973) finds social responsibility as a movement.

"An industrial revolution less than two hundred years old has allowed business to circumvent checks on power and requirements
of social responsibility. Today's corporate social responsibility movement is an historical swing to recreate the social contract of power with responsibility, and as such, the most important reform of our time.\footnote{36}

Keith Davis (1973) in a similar way regards it as a pointer to modernity and maturity.

"Social responsibility has become the hallmark of mature, global civilisations. It is necessary for an interdependent world. Values have changed to require it."\footnote{37}

Thomas A. Pettit (1965) makes clear that social responsibility is not a gimmick but a philosophy for doing general good.

"Social responsibility of management is not merely a public relations gesture to protect the firm's position. There is a sincere desire on the part of responsible executives to win respect of the general public by utilising their power for the common good. The corporation is regarded as a multipurpose social institution. The pursuit of profit is secondary in importance to the public interest."\footnote{38}

Frieden (1970) regards social responsibility as the determinant of survival of corporations. He emphasises that:

"Corporations, if they are to survive, will have to be responsive to the needs of the society. They have a tremendous stake in solving the problems of employment as well as in community development and have had the potential for accomplishing the task."\footnote{39}

S. Prakash Sethi (1975) describes it as a legitimacy criterion to be met by large corporations. He says:
The traditional economic and legal criteria are necessary but not sufficient conditions of corporate legitimacy. The corporation that flouts them will not survive, but the mere satisfaction of these criteria does not ensure its continued existence.  

George A Steiner (1971) regards social responsibility as an attitude. He observed:

"The assumption of social responsibility is more of an attitude, of the way a manager approaches his decision making. It is a philosophy that looks at the social interest of business over the long run as compared with the old, narrow, unrestrained short-run self interest. The new view can accommodate substantial sections in the social interest without eroding the profit motive."


"... responsibility is often not a quantity (something a person can have more or less of) but a policy choice, a choice among alternative values that one can be responsible to..."

Kenneth Arrow (1973) sees social responsibility as a guide for sound decision-making. He observes:

"Where profit maximisation is not socially desirable (as in pollution and product safety)...it is clearly desirable to have some idea of social responsibility, that is to experience an obligation, whether ethical, moral or legal."

Harish Mahindra (1971) finds it related to basic Hindu Dharma (duty)
"Hindu society is known to prefer a dharmik society. Though it could be interpreted that there is a social sanction for the accumulation of wealth, we cannot fail to observe that such a sanction is on the conditions that it is not for exclusive private enjoyment." 

Rockfeller (1974) equates social responsibility to trusteeship. He believes that in social terms, the old concept that

"the owner of a business had a right to use his property as he pleased to maximise profits has evolved into the belief that ownership carried certain binding social obligations. Today's manager serves as trustee not only for the owners but for the workers and indeed for our entire society. Corporations have developed a sensitive awareness of their responsibility for maintaining an equitable balance among the claims of stockholders, employees, customers and the public at large."

Rama Krishna Bajaj (1971) regards it not a matter of philanthropy but an indispensable civic responsibility.

"Social responsibility by its inseparable bond with economic responsibility is inescapable. Today the businessman has to accept civic responsibilities.....In other words, community service must now become an integral part of business activity. This is not a matter of more philanthropy."

K.N. Modi (1980) describes it as statesmanship.

".....business in India has often accepted social responsibilities, vis-à-vis the public at large, which in a more industrialised country are presently the responsibility of government."
Votaw and Sethi (1969) underscored the view that social responsibility is a reflection of broader outlook, when they say:

“If upto now corporations have failed to respond to social challenges of changing environment, it is due to the fact that they have not recognised public values as part of their own because they still see the society as composed of independent sub-systems rather than unified system.”  

They further indicate its dynamic nature pointing out at the failure of corporations to respond immediately.

“The large private corporation has come under considerable attack in recent years on the grounds that its response to a rapidly changing social environment has been slow, inadequate and often inappropriate.”

Votaw and Sethi have emphasised the relative nature of social responsibility.

“A specific action is more or less socially responsible only within the framework of time, environment and the nature of the parties involved. The same activity may be considered socially responsible at one time under one set of circumstances and in one culture, and socially irresponsible at another time in another place, and under different circumstances.”

**Different Titles**

Various titles adopted by companies to express their social concern is another indicator of the multi-dimensional and complex nature of social responsibility. Some of the titles are.
Beyond the profit motive, corporate conscience, corporate social responsiveness, the human side of (company's name), public service, public relations, public responsibility, business morality, consumerism, business and people, social concern, social commitment, corporate citizenship, trusteeship, social action, etc. Subsequently, in their policy making, executives tend to equate their social responsibilities policy to:

- Company Welfare Policy
- Corporate Democracy
- Image Building Programme
- Consumer Relations
- Social reforming, Public Service Humanistic Venture
- Socio-economic Development
- Ethical Code
- Trusteeship Principle
- Public Relations Policy
- Philanthropic Acts

From the foregoing discussion it is obvious that the concept of social responsibility is nebulous. The terms used in different senses and different terms are used to mean it. This has resulted in confusion. Prakash Sethi has appropriately remarked:

"The phrase corporate social responsibility has been used in so many different contexts that it has lost all meaning. Devoid of an internal structure and content, it has come to mean all things to all people. This divergence in view points and the often conflicting approaches have left concerned citizens and even sincere businessmen, scholars, and public policy makers—in a state of confusion and quandary."  

Meaning
The differences in view points are mainly due to the widening of the spectrum of social responsibility. What was once regarded as "passive
adaptation' has now become dynamic creativity. The social approach developed first as an ethical concept to make enterprise follow the trusteeship principle and be a respectable corporate citizen. In later years, it evolved into growth concept to make powerful enterprises follow the statesmanship principle and assume the role of change agent.

In order to find out an acceptable definition, that facilitates a better understanding of the concept, some important definitions are considered.

H.R. Bowen defines the concept as an

"Obligation to pursue those policies, to make these decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

Koontz and O' Donnell, give a negative explanation:

"As a working definition, social responsibility may be regarded as the personal obligation of people as they act in their own interests, to assure that the rights and legitimate interests of others are not impinged."

Richard Eells explains it as:

"A prudent regard for all the interests that merge in making the business a going concern now and in the future....to protect and augment share-holder equity."

Lawrence A. Appley describes it as:

"the higher motivation which is essential to life, both for an individual and an organisation. Morale, 'Esprit de Corps'; individual and group effort and output all spring from the satisfaction that a
genuine service is being rendered—a service that transcends in important the wish for mere financial return.\textsuperscript{56}

Clarence C. Walton\textsuperscript{55} defines it as balancing the competing interests of various constituencies and to work closely with Government in taking into account the rights of all involved while rejecting, though in restrained and reasonable way, those demands that are unjustified. This balancing of interests results in an equilibrium model that comprises:

1) The austere model (Responsibilities to shareholders)
2) The household model (Responsibilities to workers)
3) The vendor model (Responsibilities to consumers)
4) The investment model (Responsibilities to business itself)
5) The civic model (Responsibilities to community), and
6) The artistic model (Responsibilities to preserve arts and creativity).

International Seminar on Social Responsibilities of Business adopts a similar position:

"In addition to making a fair and adequate return on capital, business must be just and humane as well as efficient and dynamic. The modern business has manifold responsibilities—(I) to itself, (ii) to its customers, (iii) workers, (iv) shareholders, (v) community, and (vi) the state. The task of management is to reconcile and harmonise separate and sometimes conflicting responsibilities."\textsuperscript{58}

However, from 1970s onward social responsibility has moved on to a different plane. The emphasis is on welfare and development of society rather than on furthering the interests of the constituent groups within the limited organisation framework.

Peter F. Drucker crystallises the change in the following descriptions:
"Earlier discussions of Social Responsibilities of business centered
in three areas

1. The perennial question of the relationship between private ethics and public ethics;
2. The responsibility which the employer bears towards his employees by virtue of his power and wealth;
3. The leadership responsibility of the businessman with respect to the culture of the community.

The new concept of social responsibility demands that business take responsibility for social problems, social issues, social and political goals, and that it become the keeper of society's conscience and the solver of society's problems." 59

Kenneth R. Andrews explains the emergent concept:

"By social responsibility we mean the intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the latter may be defined." 60

Committee for Economic Development suggests three concentric circles of social responsibility:

"The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function—products, jobs and economic growth.

The intermediate circle encompasses responsibility to exercise the economic function with a sensitive awareness of changing social values and priorities; for example, with respect to environmental conservation; hiring and relations with employees; and more
vigorous expectations of customers for information, fair treatment and protection from injury.

The outer circle newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. Society is beginning to turn to corporations for help with major social problems such as poverty and urban blight.\textsuperscript{61}

Boone and Kurtz distinguish and establish social responsibility:

"Social responsibility means that management considers social effects, as well as economic effects, in its decisions. Both social and ethical issues are closely related and similar in meaning and impact....However, social issues are somewhat broader....Social issues that confront business near the end of the 1970s are:

1) People-oriented management
2) Ecology and environmental protection
3) Consumerism
4) The energy crisis and natural resource utilisation.\textsuperscript{62}

According to J.R.D. Tata, social responsibility is more than moral and legal responsibility. He states:

"Social obligations of organised business and industry as I conceive them must go beyond the accepted routine duties of making a good product and selling it at a fair price, paying fair wages, providing good working conditions to labour and paying them in full."

Some area of social involvement he has listed are:

1) Progress and welfare of community
2) Society relief and reconstruction
3) Improving living standards of employees, and
4) Rural development.\textsuperscript{63}

Scope and Tasks of Social Responsibility

To make more clear the concept of social responsibility that is defined by the two approaches, an attempt is made to draw the lines of demarcation between them.\textsuperscript{64}

<table>
<thead>
<tr>
<th>CONSERVATIVE APPROACH</th>
<th>LIBERAL APPROACH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Concern for sound Relations:</strong></td>
<td></td>
</tr>
<tr>
<td>It is concerned with ethics and laws and intends to transform the business institutions into a moral community, acceptable to public.</td>
<td></td>
</tr>
<tr>
<td><strong>1. Concern for Egalitarianism:</strong></td>
<td></td>
</tr>
<tr>
<td>It is concerned with development of society. It intends to bring about a social change to improve the quality of life.</td>
<td></td>
</tr>
<tr>
<td><strong>2. A modification</strong></td>
<td></td>
</tr>
<tr>
<td>It merely provides an overlay on the traditional economic mission of business. The traditional entrepreneur-ship and profit ethic is amended to include the concept of social trusteeship and social ethic to make business a good proposition.</td>
<td></td>
</tr>
<tr>
<td><strong>2. A challenge:</strong></td>
<td></td>
</tr>
<tr>
<td>It intends to utilise the management competence and business surpluses to bring about a change to improve the society. The scope of action is extended beyond ‘trusteeship’ to that of ‘statesmanship’.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Makes Profits Genuine:</strong></td>
<td></td>
</tr>
<tr>
<td>It sets limits to profit-making by providing a value framework for decision-making. It restrains the mad pursuit of maximisation.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Utilises social surplus:</strong></td>
<td></td>
</tr>
<tr>
<td>It opens new vistas for investing the surplus funds for the benefit of society. It is a long range investment plan for socio-economic development.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Governed by principle of conscience:</strong></td>
<td></td>
</tr>
<tr>
<td>President Wilson of USA profounded four principles for the proper conduct of business. The first three serve as guides under this approach. They are:</td>
<td></td>
</tr>
<tr>
<td>a) The principle of publicity:</td>
<td></td>
</tr>
<tr>
<td>General Public should be kept informed of what is happening in a business.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Governed by fourth principle of Wilson:</strong></td>
<td></td>
</tr>
<tr>
<td>a) The principle of comparative service: Business should render service equal to the price received.</td>
<td></td>
</tr>
<tr>
<td>b) The principle of conscience: The ruler of business be of highly ethical standard.</td>
<td></td>
</tr>
<tr>
<td>c) The principle of maximum service.</td>
<td></td>
</tr>
</tbody>
</table>
5. **Code of Ethics:**

   A set of principles which find, to a great extent, universal acceptance will be developed by firms for managers to follow.

5. List of priorities will be developed and responsibilities are discharged. Accordingly, priorities change from company to company and from time to time.

6. Social values are indispensable for every enterprise. Values make practices fair. The observation cannot be in sequential manner. It should be simultaneous in all areas of enterprise activity. Values are to be adhered to without exception.

6. Social responsibilities can be undertaken by enterprises having standing, competence, and resources. It is a fair weather concept. The responsibilities can be performed in a sequential manner in order of priority.

7. **Goals:**

   - **A)** Sound Financial Management, Fair ROI, sufficient reserves and surpluses, fair dividends, avoidance of illegal political—commercial payments, good relations with shareholders and investors, disclosure of fair and adequate information etc.
   - **B)** Sound personnel management. (Fair employment practices, minority and women employment and advancement, employee education and training, employee satisfaction and productivity, health and safety, opportunities for personal and professional development, participation in decision-making, leisure, recreation etc.)
   - **C)** Sound marketing management. (Fair competitive practice, fair prices, adequate and accurate consumer information, consumer counselling and service, handling consumer complaints, credit policies against legal standards, guidance and support to distributors etc.)
   - **D)** Sound production management: (Upgrading quality of working life production of standard goods, meeting established

7. **Priorities:**

   - **A)** Society Relief and Reconstruction Programme (Donating for national causes during war and other national calamities like droughts, cyclones, famines, and floods and taking part in the rehabilitation programme).
   - **B)** Internal employee service programmes (Legal aid, family planning etc.)
   - **C)** Job creation: (Hiding and training of the unemployed and disadvantaged assisting self-employment agencies.)
   - **D)** Encouraging consumerism: (Consumer education, support to consumer councils etc.)
   - **E)** Support of small and minority enterprises: (Supply of technology, assisting in marketing etc.)
   - **F)** Pollution abatement: (Creating agencies for developing improved systems of environmental management etc.)
   - **G)** Resources conservation measures: (Augmenting the supply of replenishable resources.)
environmental standards, determining impact of new products on pollution levels etc.

E) Sound research management:
(Advancement of technology that conserves resources, improves the quality of environment and raises the living standards of people).

F) Sound public relations management:
(Disclosure of information related to composition of the board of directors, structure and composition of committees, employee stock ownership, co-operating with those in the community etc.)

8. Definition:
"Designing and pursuing decisions and policies and programmes of the enterprises with a prudent regard to values, norms and laws society."

H) Society improvement programmes:

i) Rural development:
(Co-operating with other agencies, adoption of villages etc.)

J) Foreign investments:
(Establishing profit-making ventures abroad in areas of needed social improvements, developing cross-cultural, cross-national system of management to integrate developing nations etc.)

8. Definition:
"Participating in the development of society in its plurality of interests, beliefs for enhancing happiness, freedom and material, and spiritual growth of people."

<table>
<thead>
<tr>
<th><strong>Rationale of social Responsibility</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Why should business enterprises accept and discharge social responsibility? There is a wide range of arguments for and against corporate responsibility.</td>
</tr>
</tbody>
</table>

**Arguments for**

1. To counter adverse forces.
   - To gain competitive edge in the context of increasing competition, organizations have to accept social responsibility.
   - To operate within the policy – legislative framework of Government committed to social welfare, organizations have to be socially responsible.
   - In view of the rising expectations of the society, particularly, the less privileged sections, organizations have to initiate social responsibility activities.
2. To operate enterprises more strategically
   • Public image helps organizations to prosper. Social responsibility creates public image in the long run.
   • Community acceptance and harmony help organizations to remain viable and exploit resources without public criticism. Social responsibility is the best way to win community support.
   • Responsibility creates authority or power. Enterprises gain authority by discharging social responsibility. Leadership provides several advantages.
   • Available competencies and surplus resources of an enterprise can be advantageously utilized to build a good image.

3. To satisfy value systems
   • Social responsibility is a moral responsibility of the enterprises. Keith Davis rightly observed.
     "Social responsibility has become the hallmark of mature, global civilizations. It is necessary for interdependent world. Values have changed to require it"65

Arguments Against
[I] Adversely affects business goals
   • Hampers efficiency and reduces profits.
   • Dilutes the primary economic objectives and adversely affects economic performance. "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase profits as long as it stays within the rules of the game which is to say engage in open and free competition without deception or fraud. Social responsibility other than this is fundamentally subversive doctrine".
Beyond the role of enterprise

- Business organizations have economic role. Their obligations relate to participants like employees, shareholders, consumers and Government. Social responsibility concept diverts attention from these groups.
- Social responsibility is a voluntary employee activity rather than the job of an organization.

Beyond the role and capabilities of executives.

- Social responsibility cannot be undertaken as the executives lack the perception and skill of a social worker that can solve social problems.
- Social responsibility is an undesirable exercise in case of enterprises, incurring losses.

Conclusion

Though arguments on either side appear to be equally strong and convincing, proponents of social responsibility enthusiastically highlight the caution advocated by some eminent researchers.

Elton Mayo\textsuperscript{66} argued:

"Those countries whose businessmen turned away from just economic profits to more responsible goals would develop in a stable and secure manner while others would experience social disorganization".

Ramakrishna Bajaj\textsuperscript{67}, a noted industrialist observed:

"Social responsibility by its inseparable bond with economic responsibility is inescapable. Today, the businessman has to accept civic responsibilities – in other words, community service must now become an integral part of business activity. This is not a matter of mere philanthropy".
Response Models

Different writers describe the response patterns of organizations in relation to their environment in different ways. However, one can find a command thread to put the views together.

[a] Sethi's Model

Seth presents a legitimization model of enterprise response to environment. In search of legitimization firms may take three postures.

1. Confine to legal and market criteria
2. Accepts extra-legal and extra-market criteria
3. Allows relevant criteria with dynamism.

Table I.1 describes them.

A - THREE STATE SCHEME FOR CLASSIFYING CORPORATE BEHAVIOUR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Search for legitimacy</td>
<td>Confines legitimacy to legal and economic criteria only: does not violate laws; equates profitable operations with fulfilling social expectations.</td>
<td>Accepts the reality of limited relevance of legal and market criteria of legitimacy in actual practice. Willing to consider and accept broader extralegal and extra market criteria for measuring corporate performance and social role.</td>
<td>Accepts its role as defined by the social system and therefore subject to change; recognizes importance of profitable operations but induces other criteria.</td>
</tr>
<tr>
<td>Social accountability for corporate actions</td>
<td>Construes narrowly as limited to stockholders; jealously guard its prerogatives against outsiders.</td>
<td>Construes narrowly for legal purposes, but broadened to include groups affected by its actions; management more outward looking.</td>
<td>Willing to account for its actions to other groups, even those not directly affected by its actions.</td>
</tr>
<tr>
<td>Operating strategy</td>
<td>Reactive adaptation</td>
<td>Proactive adaptation</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Exploitative and defensive adaptation.</td>
<td>Where identifiable costs were previously externalized.</td>
<td>Takes the lead in developing and adapting new technology for environmental protection.</td>
<td></td>
</tr>
<tr>
<td>Maximum externalization of costs.</td>
<td>Maintain current standards of physical and social environment.</td>
<td>Evaluates side effects of corporate actions and eliminates them prior to the actions being taken.</td>
<td></td>
</tr>
<tr>
<td>Reactive adaptation.</td>
<td>Compensate victims of pollution and other corporate related activities even in the absence of clearly established legal grounds. Develop industry-wide standards.</td>
<td>Anticipates future social changes and develops internal structures to cope with them.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to social pressures</th>
<th>Accepts responsibility for solving current problems, will admit deficiencies in former practices and attempt to purse public that its current practices meet social norms; attitude towards critics conciliatory, free information disclosures than state one.</th>
<th>Willingly discusses activities with outside groups; makes information freely available to public; accepts formal and informal inputs from outside groups in decision making is willing to be publicly evaluated for its various activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintains low public profile but if attacked, uses PR methods to upgrade its public image; denies any deficiencies; blames public dissatisfaction on ignorance or failure to understand corporate functions; discloses information only where legally required.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive adaptation.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pliantropy</th>
<th>Accepts only when direct benefit to it clearly shown; otherwise, views contributions as responsibility of individual employees.</th>
<th>Activities of state two, plus support and contributions to new, controversial groups whose needs it sees as unfulfilled and increasingly important.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributes only when direct benefit to it clearly shown; otherwise, views contributions as responsibility of individual employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive adaptation.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[a] Post's Status and Behavior models:

Post has suggested on the basis of status and mode of response of organization to environmental issues, different models. He argues that as every organization develops a set of structural relations with elements in the external environment every time it acquires a status, which can produce social conflict. The status positions are defined through legal model, market model, exploitation model, technostructure model, and interpenetrating systems model. From a supposition of subordination to law, the organizations grow into large ones and develop multitudinal relations with society. It can be conceived as an interpenetrating process. Depending upon its philosophy, the organization may choose from among adaptive process, proactive process or interactive process. The central difference between the adaptive and proactive models is the assumption about where change initially occurs i.e., in the adaptation model, the environment is the source of change and in the proactive model, the organization is the initiator. The interactive model proceeds from the assumption that the organization and the environment are both changing simultaneously. Post describes the three models as pressure/response, business policy and public policy models. These models can be explained as under.

[a] Pressure/Response models of corporate social involvement view management action as highly constrained by external factors such as legal requirements, stockholders expectations, customer demands, technology trends, economic conditions, political program, national media coverage of social issues etc.

[b] Business policy models of corporate social involvement conceptualize the firm as possessing considerable discretion and autonomy from external pressures in selecting and implementing social policies and programs.

[c] The public policy model emphasizes anticipatory management through early warning assessment and intervention. Environmental assessments utilize a variety of forecasting
techniques such as Delphi, cross impact analysis, computer simulation modeling and scenario creation to identify environmental trends and possibilities that warrant corporate social attention and involvement.

[b] Burton and Thicker Model

A. Social Opposition: This view is taken by the business, which feel that they have no obligation to society in which they operate. When they are caught for any offense, their immediate response is try to cover it up while denying it.

B. Social obligation: the companies, which believe that they have an obligation to obey the law, hold this view. That is, the only socially responsible behaviour that is appropriate is the one prescribed by the law. Such companies would install safety equipment that is required by the law, that would not spend additional money in order to install even better safety equipment.

C. Social response: Social response is the position taken by companies that meet their social responsibilities as dictated by the law and will on selective basis go beyond the legal requirement. These units may volunteer to participate in limited socially responsible efforts, but not until they are convinced that the benefits outweigh the costs.

D. Social contribution: It is the position taken by the companies, which believe that they have a deep obligation to serve the society. Such companies consider that they should be responsible citizens in society and are eager to contribute whatever they can to the improvement of the society.

Based on the review of literature, C.S.G.Krishnamacharyulu has identified six categories of response under two approaches along with the associated probable public ratings, Table 1.2. Shows them.
Table 1.2 Categories of Social Responses

<table>
<thead>
<tr>
<th>Approach</th>
<th>Kind of response</th>
<th>Level of effort</th>
<th>Public rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative</td>
<td>Defensive</td>
<td>Reaction to criticisms</td>
<td>Worst</td>
</tr>
<tr>
<td></td>
<td>Public</td>
<td>Communication of social concerns</td>
<td>Poor</td>
</tr>
<tr>
<td></td>
<td>Legal</td>
<td>Compliance required by law</td>
<td>Satisfactory</td>
</tr>
<tr>
<td></td>
<td>Bargaining</td>
<td>Negotiating with pressure groups</td>
<td>Honorable</td>
</tr>
<tr>
<td>Liberal</td>
<td>Progressive</td>
<td>Large effort to grapple full range of social issues</td>
<td>Good</td>
</tr>
<tr>
<td></td>
<td>Leader</td>
<td>Creating a new Socio-economic order</td>
<td>Best</td>
</tr>
</tbody>
</table>


Implementation issues

From the early discussion on concept of social responsibility, it is clear that social responsibility goes beyond law. As such, in the context of implementation of social responsibility the three relevant models are as show in Table 1.3.

Table 1.3 Summary of Response Models

<table>
<thead>
<tr>
<th>Author</th>
<th>Response Patterns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seth</td>
<td>Social obligation</td>
</tr>
<tr>
<td>Post</td>
<td>Pressure</td>
</tr>
<tr>
<td>Burton &amp; Thicker</td>
<td>Social obligation</td>
</tr>
<tr>
<td>Krishnamacharyulu</td>
<td>Bargaining</td>
</tr>
</tbody>
</table>
The implications of the three response modes for implementation are as stated in Table 1.4.

Table 1.4 Key tasks in Three Response Models:

<table>
<thead>
<tr>
<th>Response model</th>
<th>Posture</th>
<th>Key tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bargaining</td>
<td>Reactive</td>
<td>• Identifying the stakeholder (pressure) groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Encountering their demands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Negotiating to reconcile conflicting views</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implementing collective agreements</td>
</tr>
<tr>
<td>Progressive</td>
<td>Active</td>
<td>• Identifying outside groups involved in social problem solving.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Developing an agenda of existing social problems.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Prioritizing the social issues.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implementation in cooperation with outside groups.</td>
</tr>
<tr>
<td>Leader</td>
<td>Proactive</td>
<td>• Taking a lead role in identifying emerging social issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enlisting cooperation of other organizations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implementation.</td>
</tr>
</tbody>
</table>

Problems:

The various hurdles to the implementation of corporate social responsibility may be classified as under:

i) Those that are inside the organisation, and
ii) Those that are outside the organisation.

The identification of these hurdles is essential because they stumble the progress of implementation and affect adversely the organisational efficiency. The inside hurdles which are related to the organisational systems and managerial attitudes are. 70

1) top management attitude may not be encouraging when they adopt an adhoc rather than permanent approach.
2) designing the social action programmes is difficult as perception of priorities vary from manager to manager and also among public,

3) social action programmes are problematic because the cost can be measured but benefits cannot be accurately known,

4) most managers are simply too busy to worry about social objectives,

5) social action programmes will not be interesting to the managers unless there exists a reward/penalty system in relation to it,

6) the response from beneficiaries may be poor and discouraging,

7) social programmes adversely affect the profit performance, and

8) in times of adversity, companies are compelled to cutback on social action policies.

An important prerequisite for successful formulation and implementation of social responsibility programmes is the attitude of top management. Unless the top management adopts a positive, open and permanent approach to social responsibility the required organisational climate for good performance can not be had.

Secondly, the problem of legitimisation due to the varied opinions of executives and public on the importance of different social problems. What are the problems that can be regarded as the legitimate concerns of an enterprise? This depends on the response pattern (which in turn depends on the philosophy of top management and implementation spirit of operating management) of an organisation and the strength and intensity of social demand. In the absence of considerable agreement among managers and public on the priorities of social issues, formulation of social policy becomes difficult. Some times, pressurised by one or more of the pressure groups---government, trade unions, consumer associations and environmentalists, management may take a decision
which may be more a populistic gesture than an appropriate social area of effort.

Thirdly, since people do not respond and support social concerns in abstract, an absolute medium is necessary to discover ways to make issues relevant and clear and performance measurable in no uncertain terms. However, the development of measurements presents a complicated problem to management as it requires the consideration of several intangible social factors, not amenable for quantification.

The major difficulty in implementing social responsibility programmes, in general, is the busy work schedule of managers. If functional managers are made responsible for the implementation of social programmes, preoccupied with the problems in their respective functional areas, the managers may show indifference or fail to show adequate attention. As the programmes are likely to disturb the usual routine work and demand expenditure of effort which cannot be properly measure and evaluated, they consider it an extra-organisational responsibility thrust on them. The dampened spirit of the executives hampers the progress of the social programmes.

Many managers can be made more enthusiastic about social responsibility programmes by designing proper motivational scheme. Such a scheme will not only encourage performance, but also brings abundant clarity about the expected role of managers.

Sometimes the beneficiaries of the social programmes may not view them positively and appreciate them. A sense of indifference of callousness displayed by them will ruin the enthusiasm of implementing managers. There is the possibility of the beneficiaries becoming more dependent on the organisation of criticising the company for not doing
something else. Such a bad experience may discourage company managers for ever from undertaking social responsibility programmes.

Another obstacle to the implementation is the fear of losing profits. The active involvement in the social programmes, it is feared, will adversely affect the profit performance of the company. Such an outcome is possible, in the case of those companies, which fail to systematise their activities.

Lastly, the adverse economic situation, warrants a more conservative approach to the allocation of resources of enterprises. There will be a cut on several expenditures and social responsibility cannot be an exception. However, a prudent management that has built up enough reserves in good times will sit pretty and maintain the same profile in all activities.

Besides these internal hurdles, some of the external hurdles that may obstruct the social performance of business enterprises may be as follows. 70

1) ideological and methodological conflicts between the industry and unions;
2) the deliberate creation of hostile anti-business climate by organised political groups with self-interest;
3) unrealistic planning causing disharmony between public and private sector;
4) promulgation of unwiedly controls and unworkable laws;
5) prohibitive and frequently changing taxation policies;
6) corruption in the administrative machinery of government;
7) instability and frequent changes in trade policies, licensing policies, export and import policies;
8) violent and disruptive activities of political parties and the high frequency of agitations;
9) lack of co-operation from the organisations concerned with the social area of effort; and
10) inadequancies of subsidies and incentives offered by government.

Social Responsibility in Banking Industry:

Having examined the conceptual framework of social responsibility, the issue to be considered is:

Is Social responsibility concept applicable to banks?

The concept of social responsibility is indispensable to all organizations, particularly in a society committed to economic growth with social justice. In India, when 14 banks were nationalized, banks were assigned in clear terms a social role to develop the society.

In the light of the above view that banking industry in India has social responsibilities, the following questions arise:

i. When commercial banks in India had assumed a social role?
ii. Why did they accept to play a social role? And to what extent?
iii. What was their social response?
iv. What social responsibilities had they undertaken? What was their contribution?
v. Did social responsibility adversely affect their profitability?
vi. What are the current attitudes of executives of bankers on social responsibilities of banks?
vii. What was the impact of economic reforms on social responsibilities? Did it increase or decrease banks social role?
viii. What has been the role of RBI and Govt. of India in initiating the social responsibilities activities of commercial banks in India?
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