PGDM, 2020-2022

Responsible Business

Subject Code: DM-107

Trimester –I, End Term Examination: October 2020

Time allowed: 2 Hrs 30 Min Max Marks: 50

Roll No_____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** In case of rough work please use answer sheet.

Section A: 30 Marks

Students are required to answer all questions. Each question carries 10 marks

Q1. Economic development fuelled by energy from non- renewable fossil fuels has brought along the most massive problem of Climate Change.

i) Explain the statement (2.5)
ii) Describe some issues of environmental sustainability encountered by businesses in their supply chains? (5)
iii) Can the above issues be resolved by businesses? If yes, how? (2.5) (CILO 1 & 2)

OR

Q1. The concept of "maximisation of profit by businesses for shareholders being the sole responsibility of business" does not hold well in present times.
i) Explain the statement (2.5)
ii) Describe some of the important responsibilities businesses owe to their various stakeholders. (2.5)
iii) Do regulatory measures of the government help in eliciting responsible business behaviour? If yes, give two examples. (5)
(CILO 1&2)

Q2. The revisions in the Companies Act 1956 have mandated an expenditure of 2 percent of profits by Indian companies on CSR activities. Explain in sufficient detail, the provisions under the revised Companies Act 2013. (CILO 3) (10)

Q3. Companies should work towards achieving Sustainable Development Goals. Taking the example of SDG 8(Decent Work and Economic Growth).
i) Explain the significance of upholding Human Rights in Business supply chains (5)
ii) If Business is done ethically would it ensure responsible business behaviour to its stakeholders? Explain in the light of UN Global Compact (5) (CILO 3&4)

OR

Q3. Ethical behaviour and upholding human rights are important for long term sustainability of any business.

i) Explain the significance of the above statement, give two examples to support your answer (5)
ii) If Business is done ethically would it ensure responsible business behaviour to its stakeholders? Explain in the light of National Guidelines on Responsible Business conduct (5) (CILO 3&4)

Section B: Case Study (20 marks)

Students are required to go through the case study and answer the questions given below. Each question carries equal marks.

On the sun-baked salt flats of Gujarat, India, the vast, shimmering expanse of salt shines starkly in farmers' eyes as they toil in the intense heat. India is the world's third largest salt producer. More than 80,000 smallholder producer families harvest the salt in the Surendranagar district, it's most prolific salt-producing region, in the dry months from October to May.

The farmers, many of them women and teenage girls, pump dense, briny water up to the desert plains through hand built wells and rake it constantly to form salt crystals as the water evaporates in the blistering sun. This year, the temperature in Gujarat reached a record-breaking 48.4C, making working conditions even harsher on this ancient, desiccated seabed.

Scientists predict that climate change is also likely to increase rainfall in the region: "If the rain falls in intense, irregular downpours, with extended dry periods in between, this could introduce a level of unpredictability to the traditional salt farming season, potentially disrupting production," says Dr Friederike Otto, senior researcher at Oxford University's Environmental Change Institute.

Unseasonably heavy rains are already denting production, according to Reema Nanavaty, director of the Self Employed Women's Association (SEWA), a trade union for smallholder female producers in India, with farmers losing up to a quarter, or 200 tonnes, of total production each season. Irregular monsoons can also cause delays to the season, and increased incidences of windy storms muddies the salt pans, compromising product quality and price.

By the time the farmers have paid for diesel to fuel their pumps, and services such as transport and fresh water to supply their makeshift villages on the edge of the salt flats, it can cost them up to $1.55 to produce each tonne of salt.

This means there's often little left of the money they receive from middlemen per tonne of salt - approximately $1.78. Middlemen sell on the salt for a market price of around $4.15 per tonne, despite little additional processing beyond some refining.

But life for salt farmers is gradually changing. The Salt Workers Economic Empowerment Program (SWEEP), a joint initiative between the non-profit Global Fairness Initiative (GFI) and SEWA, is working to help female salt farmers in Gujarat gain the commercial and technical knowledge to farm salt more sustainably and profitably as the risk of erratic, extreme weather looms.

Founded in 2012, the programme currently supports 2,500 farmers. It provides technical training to improve farming techniques and salt quality, covering aspects such as drilling boreholes, improving salt pan layout and managing pumps more efficiently.

SWEEP also helps farmers collaborate to engage directly with more reliable buyers, such as the Indian government, to secure a better price for their salt. In this way, the women can achieve an average 64% increase in price (to $2.78 per tonne), according to Caleb Shreve, GFI's executive director.

However, to truly improve the farmers' livelihoods, Shreve says, it is vital to cut input costs. With this in mind, SWEEP has been helping farmers replace their diesel pumps with solar-powered ones over the past two years to lower the cost of production. Although solar pumps have a high upfront cost of $3,750, the women save an average of 45% on running costs

annually compared to diesel pumps by reducing maintenance and fuel costs, according to Shreve.
Some 500 farmers have invested in the new pumps to date, taking a 90% loan from SEWA. The association provides the loans with interest rates of 14% and it is expected most farmers will repay the loan over four years, largely through diesel savings. India's microfinance interest loan rates, in comparison, can exceed 26 percent.
With their improved income, Surendranagar salt farmers often invest in more salt pans, as well as further equipment and transport to run their farms independently, without needing to rely as much on third parties. Many also invest in education for their children, as well as better housing, food and clothing.
"The beauty of this scheme is that it helps one of India's poorest traditional communities have a better quality of life in the face of climate change, while simultaneously cutting carbon emissions," says sustainability expert Martin Wright.
Rosey Hurst, director of ethical trade consultancy Impactt, agrees that SWEEP is highly innovative, but cautions against writing off middlemen.
"Solutions that combine technology and market access are terrific, but our experience shows that middlemen in India can add a degree of flexibility to informal supply chains. Despite their sometimes exploitative nature, they can access new markets and insulate producers from market instability. It's important not to close off this avenue, particularly given that helping smallholders build their capabilities to access new markets is challenging."
https://www.theguardian.com/sustainable-business/2016/sep/23/climate-change-india-salt-farmers-gujarat-solar-loans

Questions

1. What are the problems and challenges with respect to Responsible Business described in in the case given above? (CILO 1, 2 & 4) (Rubric: Issue Identification)

2. How would the programmes by SEWA and SWEEP help the vulnerable sections of the society while strengthening gender inclusivity? (CILO 3) (Rubric: Conceptual Clarity)

3. What lessons of Business Ethics can you learn from the above case? (CILO 4) (Rubric: Ethical Perspective)

End of the Question Paper