

**SOCIAL RESPONSIVENESS PRACTICES OF ENTERPRISES
IN BORONGAN CITY**

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ABSTRACT

The study was conducted to determine the level of social responsiveness of entrepreneurs in Borongan City. This study is a descriptive-correlational survey involving 250 respondents. The majority of the respondents are somewhat responsible in compliance with laws, projects undertaken, products offered to customers, and job creation. Regression analysis was used to establish the relationship between social responsiveness practices of merchandising and retailing business and profitability. It was found out that the best predictor for social responsiveness is a project undertaken, $R^2 = 0.396$ with a good complement for job creation, R^2 of 0.306. This is to confirm that the bigger the business, the more profitable it is, the more project it has undertaken and the more jobs it had created in the community. The study revealed that engaging in social responsiveness practices will enhance business operation, improve relations with customers, government, private agencies, and the community. The respondents admitted their lack of concern on the safety of their employees, letting them work on irregular work hours and underpaid. It was also revealed that problems related to the development of initiatives in the field of social responsiveness are due to the high costs of engaging in social responsibility practices and lack of skill on how to conduct social responsibility activities. The respondents are interested to conduct social responsibility activities in the future through participation or attendance in seminars on social responsiveness practices in business, engage in different social responsiveness practices or activities and give donations to foundations and charitable organizations.

Keywords: *Entrepreneur, Merchandising Business, Profit, Society*

1. INTRODUCTION

Business is a productive human activity that brings beneficial contributions to both people and society. The business produces employment, fair deals, creativity, the advancement of technology, customers' satisfaction, among others (Roa, 2011). The aim of every businessman is a maximization of profit. So that business transactions will be beneficial to businessmen and society, he must engage in business with an attitude that knows how to determine what is right and wrong.

Entrepreneurship as a self-employment option for livelihood opportunities is very common in the city. It is considered a possible remedy to unemployment problems. The entrepreneur is determined to be successful and engaging in social responsibility activities may lead him to be one.

Entrepreneurs should recognize their important contribution to society. That is, aside from making profit for themselves they are morally obliged to be responsible members of society. Some of their moral obligations are to take care of the environment, sell quality products and offer the best service to customers, pay taxes, employ willing members of the society among others.

An entrepreneur's recognition of his obligation through involving himself in activities that will help improve the present condition of the society may be his competitive advantage. Responding positively to the call of being responsible entrepreneurs may lead them to better financial performance and profitability, better relationships with the community where the business is operating, improved reputation and creates goodwill image.

The results of this study will serve as a guide of the College of Business Management and Accountancy in developing programs for the conduct of extension activities in the city of Borongan considering that Eastern Samar State University as an academic institution is a key driver in the process of constructing a better world. The local government will also benefit from the results that would be relevant in policy formulation that would address poverty alleviation and social responsibility. The entrepreneurs will also benefit in terms of awareness of their social responsibility responsiveness that may have a positive impact on their business.

The study aims to determine the profile of business establishments in terms of the nature of the business and profitability or income. It will also determine the level of social responsiveness of entrepreneurs in terms of compliance to laws, projects undertaken, quality of products and job creation. Furthermore, it will try to find out if there is a significant relationship between the social responsiveness practices to the profitability or income of the entrepreneur. It will also solicit ideas on what could be the benefits of engaging in social responsiveness practices, problems that entrepreneurs has recently faced and problems related to the development of initiatives in the field of social responsiveness by the business.

Entrepreneurs should show their commitment by behaving ethically, improving the quality of work-life of their employees and contributing positively to the economic development of the society where their business operates. According to Milton Friedman's study as cited by Biore, Gonzales, Caparas, Burgos, and Ballada, (2015), the primary responsibility of business is to make a profit for its owners, while complying with the law.

The study of Choi and Gray, (2008) reported that socially conscious business owner disclosed that they created their firms, at least partially, to achieve idealistic objectives and interdependently strived financial and non-financial goals. The most avoided institutional support, hired workers for their collective beliefs and wisely used their social identity to make a distinction on the market. Many of the businesses have done unusual things in order to develop a strong corporate culture and introduce sustainable organizational procedures, in order to follow their own ethical expectations. These socially conscious businessmen gave significant benefit of their decision and volunteered for other businesses and companies to adopt as role model.

Stanwick and Stanwick (2009) emphasized that in order to make profitable organizational decisions, ethics and social responsibility are two very important values.

Mwangi and Oyenje (2013), attempted to link the practices of corporate social responsibility to financial results of companies listed on the Nairobi Securities Exchange such as producers, construction companies and allied sectors. The findings revealed that the independent models (social accountability, quality of output and capital intensity) of the model and the contingent (recovery of assets) have a correlation coefficient of 0.870 exists. The findings of the report also indicate that the associations between corporate social responsibility and financial success are insignificant.

According to Adda, Azigwe, and Awuni, (2016), business ethics can lead to good ties between clients and employees. The code of ethics and training is essential for growth of industry. Furthermore, training of employees on best practices may lead to better relationships with their employees. The data collected also indicates that most students and managers expect a positive public image, higher consumer satisfaction, and deeper, healthy community ties with socially conscious businesses.

The study of Acierto (2015), revealed that managerial values, ethical principles and social responsiveness practices are vital in the success of the firms in maintaining growth and development of the economy. The result of the study served as basis in formulating business policy for the manufacturing firms in the Philippines.

The study of Križanová, Moravčíková and Klieštková (2017) stated that corporations socially responsible aim not only to accomplish their usual business goals but also to pursue the environmental implications of their operations, willingly set up high ethical requirements, prevent wrongdoing, reduce the negative environmental impacts of their firms, aspire to become good workers and improve the area in which they function.

Business practices of business establishments are dependent on community involvement. The government may demand that social responsibility be enforced. However, it is difficult to ask entrepreneurs to uphold their values when even they also fail.

2. Theoretical Framework of the Study

This study was based on the theory of the social contract that businesses must not just act responsibly because it is in their commercial interest, but because it is how society expects the business to behave. Society is a series of social contracts between members of society and society itself (Gray, Dillard, & Spence, 1996). It is expected that business owners will ethically make decisions.

Entrepreneurs have several responsibilities. They are expected to be good citizens and help improve the quality of life of the people in the community. It starts with economic responsibilities, that is, businesses are established to provide goods and services to the public and to make a profit. Another consists of their legal responsibilities like compliance to law. The ethical responsibilities are practices that have not been codified into the law. Societal members expect a company to do what is right and fair. Lastly, businesses have a philanthropic responsibility.

3. METHODOLOGY

3.1 Research Design

This study used the descriptive method of research. A descriptive study determines and reports the way things are. The descriptive design is useful in explaining and interpreting the meaning and the significance that was derived from the item analysis of the instrument.

3.2 Respondents and Sampling Method

The entrepreneurs in Borongan City were respondents of the study. A sample of 250 respondents was taken from the total number of 742 business establishments using random sampling and Sloven's sampling technique.

3.3 Instrument and Data Gathering Procedure

A survey questionnaire formulated by the researcher was utilized in gathering the pertinent data. The researcher asked from the Department of Trade and Industry a list of entrepreneurs and/or business establishments who are engaged in merchandising and retailing business in the city. After obtaining the list, the researcher seeks permission from the respondents to conduct the study. The gathered data was tallied and appropriate statistical tools were used in the treatment of the data.

3.4 Data Processing

The data collected were analyzed and interpreted using the following statistical tools: For the profile of the business, benefits in engaging in social responsiveness practices, problems the business presently faced and problems related to the development of initiatives in the field of social responsiveness frequency and percentage was used. On the level of social responsiveness, weighted mean is the appropriate tool. Regression was used to find out the significant relationship between the social responsiveness practices to the profitability or income of the entrepreneur.

4. RESULTS AND DISCUSSION

4.1 General Profile

Below presents the general profile of the respondents as to the nature of business and gross monthly profit or income. The data revealed that the business establishments covered by the study are dominated by single proprietorship with 238 or 95.2% and only 12 or 4.8% belongs to corporation. This is attributed to the fact that Borongan is an infant city and is not yet highly urbanized. Most of the respondents' profit or income belongs to the lower level of the range having 116 responses or 46.4% and only 20 or 8% with profit or income on the higher level of the range.

Table 1. General profile

| Profile | Frequency | Percentage |
|-----------------------|-----------|------------|
| Nature of Business | | |
| Single Proprietorship | 238 | 95.2% |
| Partnership | 0 | 0 |
| Corporation | 12 | 4.8% |

| | | |
|--------------------------------|-----|-------|
| Gross Monthly Profit or Income | | |
| Less than P20,000 | 116 | 46.4% |
| P 20,001 – P 40,000 | 85 | 34% |
| P 40,001 – P 60,000 | 29 | 11.6% |
| Over P 60,000 | 20 | 8% |

To deal with entrepreneur’s level of social responsiveness the weighted mean was used. The level of social responsiveness of entrepreneurs was indicated by their responses explained as follows: 1 – not at all responsible, 2 – somewhat responsible, 3 – mostly responsible, 4 – completely responsible.

As shown in the table, entrepreneurs are somewhat responsible in compliance with laws, projects undertaken, products offered to customers and job creation or hiring of employees. This implies that they somehow abide by what is required by the government although there are reasons that hinder them to comply a hundred percent. This is maybe attributed to the new requirements of government offices like the Bureau of Internal Revenue who is into electronic filing which due to poor internet connection in the province entrepreneurs may not be able to comply. But as the business contributes to economic growth while earning profit for its owners it must obey the law. The findings of this study find support from Nivethigha, Divyabharathi and Velmurugan (2017) that social responsibility mean eliminating irresponsible or unethical behavior which might harm the community, its people and the environment.

4.2 Level of Social Responsiveness of Entrepreneurs

Table 2. Social Responsiveness Practices

| <i>Compliance to laws</i> | <i>Mean</i> |
|-------------------------------------|-------------|
| Business Permit/License | 4.5 |
| Payment of Taxes | 3.4 |
| Sanitation/Environmental Compliance | 2.1 |
| Fire/Compliance Certificate | 2.1 |

| | |
|--|-------------|
| SSS/Pag-ibig/PhilHealth Contribution Payment | 1.7 |
| National Wage Board Compliance | 2.1 |
| Overall Mean | 2.65 |
| <i>Projects undertaken</i> | <i>Mean</i> |
| Donation to Organization having social or environmental activities | 1.5 |
| Coastal Clean-up or tree planting | 1.6 |
| Sponsorship for scholarship of poor but deserving students | 1.2 |
| Sponsorship of sports and cultural events | 2.3 |
| Gift-giving during Christmas | 3.3 |
| Overall Mean | 1.98 |
| <i>Products offered to customers</i> | <i>Mean</i> |
| High-quality products | 3.3 |
| Clear information on products | 3.4 |
| Accepts returned defective products and replace it with a good one | 1.8 |
| Overall Mean | 2.83 |
| <i>Job creation/hiring of employees</i> | <i>Mean</i> |
| Priority to hire employees from the community | 3.6 |
| Child labor practice | 1.9 |
| Overall Mean | 2.75 |

On the other hand, entrepreneurs seem to be somewhat responsible in projects undertaken for most of them have little awareness of the importance of engaging in projects or activities that will be benefited by both the entrepreneurs and beneficiaries in the community. According to Bharej (2014), firms should make a voluntary commitment to the development of the social system and to the improvement of the environment and culture. Business organization is a single umbrella in which all parties work and take their money and social responsibility impacts workers and, most notably, the world as a whole.

In this study, the majority of them belong to the lower level income bracket and this may be the reason why they do not engage much in projects or activities. Educating them on how they can engage in social responsiveness action without spending too much from their income, but through solicitation, donation or partnering with government and private agencies will give them a better perspective on how to conduct social responsiveness activities or projects. The corporate social responsibility concept is a very progressive management approach that focuses on long term goals and long term returns (Križanová, et al., 2017).

Entrepreneurs are mostly responsible in terms of offering and selling quality products and providing product information to customers. However, the majority of them are not at all responsible for accepting returned defective products and replacing it with a new one. It could be that Borongan is far from big cities where the manufacturing of products takes place. Returned defective products may take months or a year before it will be replaced and entrepreneurs considered it a loss on their part. The study of Jahanshahi, Gashti, Mirdamadi, Nawaser, and Khaksar, (2011), showed that there is a high positive correlation between the constructs of customer service and product quality with customer satisfaction and loyalty. This implies that if a product offered to customers is made of high quality products with clear information of products or services that can be accepted if returned due to its defective parts by replacing it with a good one, then the business establishment is socially responsive to the claim of its customer. Thus, the goodwill image or reputation of the establishment will be established.

One explanation that more and more younger workers are interested in joining companies or business establishments with excellent social responsibility practices is that most organizations are interested in establishing long-term relationships with stakeholders especially employees. Employers who provide fair treatment, outstanding compensation, and benefits and help in juggling work and family responsibilities are quickly drawn to job hunters. The result of this study revealed that most of the entrepreneurs' employees are from the same community or locality but the majority of them engage in child labor practice. Entrepreneurs admitted that there are instances wherein they hire children with parents' consent as their way of helping the family obtain income. Many parents like the concept of their children working as they feel that jobs produces positive values, good work ethics and help their family economically. Their children also want to work to earn their own money to be able to buy themselves things that their parents cannot provide. However, they give most of their earnings directly to their parents.

4.3 Model summary for social responsiveness and profitability of entrepreneurs in Borongan City

The regression line equation for the social responsiveness practices of entrepreneurs correlated with their profitability level yields the equation of:

$$Y = -5.257 + 1.168 (\text{compliance to laws}) + 0.626 (\text{job creation}) + 1.447 (\text{projects undertaken})$$

The excluded predictor was the quality of products which by way of the responses deemed not necessarily a determinant for social responsiveness action of entrepreneurs. Based on the model coefficient of determination (R^2), the best predictor for social responsiveness is projects undertaken ($R^2=0.396$) with a good complement for job creation having an R^2 of 0.306. This is to confirm that the bigger the business, the more profitable it is and the more projects it has undertaken and the more jobs it had created in the community.

Table 6. The best predictor for social responsiveness

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. (p-value) |
|-------|---------------------|-----------------------------|------------|---------------------------|--------|----------------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.652 | .520 | | -5.096 | .000 |
| | compliance_to_laws | 1.791 | .220 | .460 | 8.149 | .000 |
| 2 | (Constant) | -3.804 | .528 | | -7.203 | .000 |
| | compliance_to_laws | 1.696 | .207 | .435 | 8.178 | .000 |
| | job_creation | .575 | .099 | .308 | 5.793 | .000 |
| 3 | (Constant) | -5.257 | .548 | | -9.592 | .000 |
| | compliance_to_laws | 1.168 | .212 | .300 | 5.507 | .000 |
| | job_creation | .627 | .093 | .336 | 6.729 | .000 |
| | projects_undertaken | 1.447 | .238 | .331 | 6.087 | .000 |

a. Dependent Variable: profitability

Table 7. Relationship between the social responsiveness practices to the profitability or income of the entrepreneur

| Model | R | R Square | Adjusted Square | R | Std. Error of the Estimate |
|-------|-------------------|----------|-----------------|---|----------------------------|
| 1 | .460 ^a | .211 | .208 | | .81209 |
| 2 | .553 ^b | .306 | .300 | | .76352 |
| 3 | .630 ^c | .396 | .389 | | .71324 |

a. Predictors: (Constant), compliance_to_laws

b. Predictors: (Constant), compliance_to_laws, job_creation

c. Predictors: (Constant), compliance_to_laws, job_creation, projects_undertaken

The overall effect of the three includes variable predictors namely (in order of significant contribution to the dependent variable profitability); projects undertaken, job creation and compliance to laws were significant at 99% confidence level as shown in model 3 having a p-value (sig.) of 0.000.

However, we have to be cautious about overgeneralization on this aspect because the predicting power of the equation is only at 39.6% ($R^2=0.396$). It is also convenient to state based on the result of this research that only 39.6% of the squared error of the regression equation or variance of responses can be eliminated. Hence, the majority of the responses using this model cannot be fully be predicted vis-à-vis profitability versus projects undertaken, job creation and compliance to laws. This output might not exhibit a normal distribution result. However, it already gives a good picture of how far business and social responsibility go hand in hand within a particular community. As such, in reality, the material evidence using the result of this study also manifest in the real sense and it cut across to almost industries and type of businesses. That is to say, that almost any type of industry or businesses as they grow bigger, they tend to become socially conscious and tend to become more prudent in practicing the triple bottom line aspect of the business sphere namely; financial, ecological or environmental and social.

More cross-sectional studies like this should be undertaken in a time series manner to further assess the degree of social responsiveness among businesses over some time.

Additional predictor variables can also be added in subsequent researches to assert other points of view of business regarding social responsiveness. These predictors can span from donations given to the community up to the overall rehabilitation effort contribution for a particular community.

4.4 Respondents’ opinion as to benefits in engaging in social responsiveness practices

Table 9. Benefits in engaging in social responsibility activities

| Particulars | Frequency | Percentage |
|---|-----------|------------|
| Enhancing business reputation | 225 | 90% |
| Improving relations with customers, government and private agencies and the community | 200 | 80% |
| Increase income or profitability | 25 | 10% |

Entrepreneurs believed that there are certain benefits to engaging social responsiveness practices. The result indicated that 225 or 95% of them said that it will enhance its business reputation. About 200 or 80% assumed that it will improve relations with customers, government and private agencies and the community. However, only 25 or 10% said engaging in social responsiveness practices will mean an increase in income or profitability.

4.5 Respondents’ opinion as to problems the business has recently faced

Table 10. Problem the business presently faced

| Particulars | Frequency | Percentage |
|-----------------------------------|-----------|------------|
| Women’s rights | 25 | 10% |
| Irregular work hours | 178 | 71.2% |
| Employee safety | 180 | 72% |
| Fair pay | 178 | 71.2% |
| Non-payment of taxes and licenses | 0 | 0 |

This study revealed that respondents presently faced problems with their businesses. The majority of the respondents acknowledged their lack of concern on employee safety having 180 or 72%. This is maybe because merchandising and retailing business is not high risk in nature compared to manufacturing or other businesses. Nevertheless, employee safety should be one of the utmost concern of employers. Most

respondents admitted that they encountered problems related to irregular work hours and fair pay with 178 or 71.2%. This suggests that employees are working more than the regular working hours and that they are over-utilized by their employers, the entrepreneurs. Further, the result also implies that respondents are not providing their workers with enough wages and that they are violating the labor code. Only 25 or 10% of the respondents said they have problems with women's rights. This indicates that they have high concerns for their women employees. However, respondents have no problem with regards to payment of taxes and licenses. This only shows that they consistently comply no matter how difficult are the new requirements set by concerned agencies like the Bureau of Internal Revenue.

4.6 Respondents' opinion on problems related to the development of initiatives in the field of social responsibility by the business

Table 11. Problems related to the development of initiatives

| Particulars | Frequency | Percentage |
|---|-----------|------------|
| Lack of knowledge | 75 | 30% |
| Business benefits not immediate | 25 | 10% |
| High costs of engaging in social responsiveness practices | 200 | 80% |
| Lack of skill | 168 | 67.2% |
| Little impact on social and environmental business | 50 | 20% |
| Few interest of the business | 95 | 38% |

The result of the study explained the problems related to the development of initiatives in the field of social responsibility. It was found out that the reasons that impedes their actions are the following: High costs of engaging in social responsiveness practices with 200 or 80%, Lack of skill having 168 responses or 67.2%, Few interest of the business or the entrepreneur with 95 or 38%, Lack of knowledge with 75 or 30%, little impact on social and environmental business with 50 or 20% and business benefits not immediate having 25 responses or 10%.

4.7 Respondents' opinions on social responsiveness activities they want to realize in the future

Table 12. Activities entrepreneurs want to realize in the future

| Particulars | Frequency | Percentage |
|---|-----------|------------|
| To participate or attend a seminar on social responsiveness practices in business | 225 | 90% |
| To give donations to foundations or charitable organizations | 170 | 68% |
| To engage in different social responsiveness practices or activities | 208 | 83% |

Based on the salient findings, entrepreneurs are interested to conduct activities in the future. Most of the respondents 225 or 90% wanted to participate or attend a seminar on social responsiveness practices in business. About 208 or 83% like to engage in different social responsiveness practices or activities. And 170 or 68% of the respondents are willing to give donations to foundations or charitable organizations.

5. CONCLUSION

Based on the findings, the following conclusions had been drawn: The business establishments in Borongan City were dominated by single proprietorship businesses and most of their monthly income belongs to the lower-level of the range which is less than twenty-thousand pesos. The majority of the respondents are somewhat responsible in compliance with laws, projects undertaken, products offered to customers, and job creation or hiring of employees. The study used regression analysis to establish the relationship between social responsiveness practices of merchandising and retailing business in Borongan City and profitability. One major finding of the study is that the best predictor for social responsiveness is a project undertaken with $R^2 = 0.396$ with a good complement for job creation with R^2 of 0.306. This is to confirm that the bigger the business, the more profitable it is and the more project it has undertaken and the more jobs it had created in the community. There are benefits in engaging in social responsiveness practices. Most of the respondents said it will enhance its business operation and help improve good relations with customers, government and private agencies, and the community. The majority of the respondents admitted their lack of concern on the safety of their employees, letting them work on irregular work hours and underpaid. Most of the respondents said that the problems related to the development of initiatives in the field of social responsiveness are due to the high costs of engaging in social responsibility practices and lack of skill on how to conduct social responsibility

activities. The majority of the respondents are interested to conduct social responsibility activities in the future. They wanted to participate or attend seminars on social responsiveness practices in business, engage in different social responsiveness practices or activities and give donations to foundations and charitable organizations.

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