



CORPORATE SOCIAL RESPONSIBILITY: A CONCEPTUAL STUDY

Richa Goel

Alumni, Commerce Department (M. com, Net)

Govt. P.G. College Sector 14 Panchkula

Abstract: Corporate social responsibility is emerging an important topic of research for society. In the light of increasing globalization, Corporate social responsibility has been emerging as a major challenge for the corporate world. Stiff pressure from the society forces the business organization to fulfill their social obligation. But, this proves to be an opportunity for them as a socially responsible business enjoys more customer trust, good public image and much more. Thus, this paper attempts to throw light on the concept of corporate social responsibility, its legal framework in India and various provisions given by companies act 2013. The data has been collected from the secondary sources. The various books, articles, reports, newspapers, magazines websites and the information on internet has been studied. The paper concludes that corporate social responsibility is something that will grow both in demand and practice. Thus, firms should assume their corporate social responsibility pro-actively rather than reactively.

Keywords: Responsibility, legal framework, corporate.

I. INTRODUCTION

From the past few decades, the social responsibility of business has become an important source of debate. Increasing globalization, competition, consumer's awareness and technological advancement is constantly putting a stiff pressure on the corporate organisations to adhere to their social responsibility. As a result of this, an increasing number of companies responded to this pressure through more or less formalized commitments. Thus, corporate social responsibility refers to the responsibility of corporate organisations towards the society. For any firm to survive and grow in the market in a long run has to adhere to its corporate social responsibility. Thus, it has become necessary to understand the concept of corporate social responsibility. In this research paper, an attempt has been made to address the question, "what is corporate social responsibility?", its concept, evolution, applicability. Hence, this paper intends to throw light on the conceptual issues associated with corporate social responsibility, its evolution, applicability.

2. OBJECTIVE & METHODOLOGY

Corporate social responsibility has become an indispensable part of an organisation's functioning. A business which looks up to the interests of the society not only grows in the long run but also enjoys good public image and support. This research is a Conceptual study of corporate social responsibility. The paper attempts to explain the conceptual issues associated with corporate social responsibility. The data has been collected from secondary sources- journals, newspapers, books, websites and conference proceedings.

3. LITERATURE REVIEW

Shah & Bhaskar (2010) In a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. discussed that there is a broad relationship between the organization and the society. Organization has its existence with the society only. Organization uses the resources/inputs from the society like material and human etc. In return, the organization provides services to the society. It was found that company has taken lots of initiatives in order to serve the society.

Vaaland & Morton (2008) In their paper concluded that CSR should be managed by handling unexpected events, reduction of gap between stakeholders and their expectations and company performance and finally maintaining good relationship with society.

Windsor (2001) In his article examined the future of Corporate Social Responsibility and the relationship between business and society in the long run. He tried find out what will be the changing phase of CSR. With the help of past trend of CSR, Carr oll's model analysis and in global context, the researcher found three alternatives of CSR i.e. conception of responsibility, global corporate citizenship and the stakeholder management practices.

Hartman (2011) In his article "Corporate social Responsibility in the food sector" access the importance of CSR in food sector, particularly those companies which have huge brand. Corporate social responsibility is an important part of these companies. But small enterprises are less capable in discharging their responsibility towards society. Consumers also prefer those brands or food firms which give preference to social responsibility activities and provide good product and services

Idowu (2007), in his study of twenty companies in U.K., propounded that the U.K. companies have now become ethical in terms of social responsibility as companies disclosed corporate social responsibility with a view of public benefits, government request and issue information to stakeholders because the companies think that the stakeholders of twenty first century are better educated than the past.

Moon (2004) The paper examined the role of government in stimulating corporate social responsibility among the corporate. The study explained that the drivers of corporate social responsibility are related with the business and society. The study also stated other country's situation about how their government entered into businesses for initiating corporate social responsibility in corporates.

Gond & Crane (2008) suggested models on the basis of which the researcher explained why the CSP concept lost its importance and development. Further, the researcher suggested some model which the researcher can use in their research of corporate social performance.

Truscott, Bartlett, Trwoniak (2009) On the basis of the interview of key persons of industries in Australia, the term CSR has been defined. The industrialist revealed that corporate social responsibility increasingly has become significant. They shared their views on CSR in economic, legal and ethical roles in society. Beside this, the industrialist also viewed CSR as a model of corporate reputation

4. WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

In simple terms, Corporate social responsibility means responsibilities of business towards customers, workers, shareholders and the community.

Simpson & Taylor (2013) defines that corporate social responsibility means additional responsibilities of businesses towards local and wider communities apart from core objective of profit maximization.

5. LEGAL FRAMEWORK OF CSR

The first formal attempt by the Government of India to put the CSR issue on the table was with the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Before this, the significance of Corporate social responsibility was discussed in the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). It is from the Voluntary Guidelines of 2009 that the core elements of a CSR policy were spelt out which included interest of all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. Securities Exchange Board of India (SEBI) required the top listed 100 companies, as part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities in their Annual Reports. SEBI opined that it is in the larger interest of public. The most ambitious attempt at mandated CSR activities for companies was done with the enactment of Section 135 of the Companies Act 2013. India's new Companies Act 2013 (Companies Act) has introduced several new provisions which changed the face of Indian business.

6. PROVISIONS OF COMPANIES ACT 2013 FOR CORPORATE SOCIAL RESPONSIBILITY

6.1 Applicability

According to section 135 of the companies act 2013, every company which have net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more during any financial year shall constitute a corporate social responsibility committee of the board consisting of at least three directors, out of which one should be an independent director.

6.2 Corporate Social Responsibility Committee & Policy

The companies act 2013 encourages the companies to spend at least 2% of the average net profit of last three years on corporate social responsibility activities. For this purpose, the net profit is the profit before tax as per the books of accounts, excluding the profits from branches outside India. The committee shall:

- formulate and recommend to the board, a corporate social responsibility policy which shall include activities as prescribed in schedule vii;
- recommend the amount to be incurred on these activities;
- monitor the corporate social responsibility policy regularly.

6.3 Responsibility of Board of Directors and Reporting

The act requires that the board of directors, after approving the corporate social responsibility policy has to disclose the same in their report and also has to publish the same on the company's website.

6.4 Activities to be Undertaken Under Corporate Social Responsibility

The activities which can be undertaken by a company to fulfill its corporate social responsibility includes-eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting etc. However, in determining corporate social responsibility activities to be undertaken, preference has to be given to local areas.

7. ARGUMENTS IN FAVOUR OF CORPORATE SOCIAL RESPONSIBILITY

7.1 Good Public Image

Corporate social responsibility helps an organization to secure a good public image. This will further help in increased profits.

7.2 Avoidance of Government Interference

A company which adhere to its social responsibility from time to time, enjoys good reputation in government's eyes and gets least government interference.

7.3 Moral Justification

It is morally justified that an organization takes resources from the society should return back to the society a part of profits earned from the society in the form of corporate social responsibility. Thus, business should discharge its social responsibilities with due diligence.

7.4 Consumer's Consciousness

Nowadays, consumers have become more vigilant of their rights. So, to avoid any class conflict with the customers, business units should assume their social responsibility and produce good quality products.

7.5 Long Term Interest of The Business

The social responsibility of the business, if taken care of, ensures the success of the organization in the future. It is possible that the organisations may have to bear extra expenses on the social responsibility but it will provide long term success and profit to the organization.

7.6 Business Is A Part Of The Society

Business is a part of the society itself. Thus, it becomes moral duty of every business to contribute towards various segments of the society. Thus, while taking decisions, business manager should take into consideration the welfare of not only his organization but also the welfare of other sub-systems (different parts of society like customers, shareholders, employees, etc.), so that the entire society or the complete system is benefitted.

8. ARGUMENTS AGAINST CORPORATE SOCIAL RESPONSIBILITY

8.1 Increase in Prices

Meeting social responsibility involves huge costs. For example, donations to educational institutions, donations to charitable institutions, providing relief to flood camps, etc. This increased cost is further passed on to the society in the form of increased prices. So, it is ultimately the society who bears the cost of corporate social responsibility.

8.2 Lack of Skill to Solve Social Problems

Social problems are very complex in nature. Solving them requires specialized knowledge. A person may be a good business manager but may lack social problem-solving skills.

8.3 Meeting Social Responsibility Deviates from Main Objectives

The basic objective of business is to earn profit. But, social responsibility deviates the business from the path to profit. Moreover, business is an economic institution and not a social welfare organisation.

8.4 Shortage of Time

Nowadays, business has become a very complex activity. One has to face so many problems, take so many decisions. There is no time left for corporate social responsibility.

8.5 Regular Burden

Once a business starts meeting its social responsibility then, it becomes a regular burden for the business. The society then expects more and more in the future. Even if in some years, company face some financial crisis, it cannot afford to discontinue discharging corporate social responsibility.

8.6 Excessive Concentration of Power

Already the business units have enough economic power in their hands. If they are given social power too, then the society will become dependent on business. With this excessive power, business may try to influence the society for their own benefits.

9. CONCLUSION

The concept of corporate social responsibility gained prominence from all avenues. Organisations must realize that government alone will not be able to uplift the society. Also, it is in the larger interest of the corporate itself, as a company involved in corporate social responsibility will not only grow in the long run but will also enjoy good public image and support of the society. The Corporate social responsibility policy will work as a built-in, self-regulating mechanism through which business will monitor and will ensure its adherence to law, ethical standards and international norms. As a result, business would embrace responsibility for the impact of its activities on various segments of the society- consumers, employees, etc. Corporate focused business should proactively promote the public interest by assuming legal and safe practices.

REFERENCES

- [1] Gond, J.P. & Crane, A. (2008). Corporate Social Responsibility distorted: Saving the lost paradigm?. *Business and Society Journal*.
- [2] Hartmann, M. (2011). Corporate Social Responsibility in the food sector. *European Review of Agriculture Research*. Vol.38. No.3.Pp. 297-324
- [3] Idowu, S., & Loanna, P. (2007). Are corporate social responsibility matters based on good intentions or false pretences? A critical study of CSR report by UK companies. *Corporate governance Journal*. Vol.7. No. 2. Pp. 136-147.
- [4] Moon, J. (2004). Government as a driver of Corporate Social Responsibility: A U.K comparative Perspective. *International Centre for Corporate Social Responsibility*.No.20.
- [5] Shah, S. & Bhaskar, S. (2010). Corporate Social Responsibility in an Indian Public Sector Organization: A Case Study of Bharat Petroleum Corporation Ltd. *Journal of Human Values*. Vol. 16. No. 2.Pp. 143-156.
- [6] Sompson, J. & Taylor, J.R. (2013). *Corporate Governance Ethics and CSR*. Kogan Page

- [7] Truscott, R. A., Bartlett, J.L. & Tywoniak, S.A. (2009). The reputation of Corporate Social Responsibility industry in Australia. Australasian Marketing Journal. Vol.17. No.2,pp.84-91.
- [8] Vaaland, T., & Morton, H. (2008). Managing corporate social responsibility: lessons from the oil industry. Corporate communications: An international journal. Vol. 13. No. 2. Pp. 212-225.
- [9] Windsor, D. (2001). The future of corporate social responsibility. International Journal of Organizational Analysis. Vol. 9. No.3. pp.225 – 256.
- [10]www.google.com
- [11]https://en.wikipedia.org/wiki/Corporate_social_responsibility
- [12]<http://www.mca.gov.in/MinistryV2/companiesact2013.html>

