



## CORPORATE SOCIAL RESPONSIBILITY

Gurwinder Kaur\*      Paramjeet Singh\*\*

\*Assistant Professor of Commerce, HOD of Commerce Department, University College Meerapur, Patiala (Punjab).

\*\*Assistant Professor of Commerce, .S.S.D.G.S Khalsa College Patiala.

### Abstract of CSR

#### Corporate Social Responsibility

- CSR is a combination of 3 Words:  
Corporate, Social & Responsibility.  
Corporate means Business, Social stands for Society and Responsibility means Duty.
  - Social Responsibility of business means the responsibility of business towards society.
  - It should act in such a manner that it serves in the best interest of the society.
  - It is based upon the principle that what is good for the society and also good for the business
1. Social responsibility is the genuine and honest concern for the welfare of the society.
  2. The business should recognise and understand the needs and aspirations of the society.
  3. The business should maintain a clear balance between its own interest and the interest of society.

#### Responsibility Towards Employees

- To pay fair wages & salaries regularly
- To provide good working conditions
- To guarantee security of the job

#### Responsibility Towards Customer:

- To ensure the supply of quality products
- To supply at good & fair prices
- To provide the prompt service

#### Responsibility Towards Government

- To pay the taxes honestly & in time
- To abide by the laws passed by local state & central government
- To maintain books of accounts

#### Responsibility Towards Supplier

- To make payment to the supplier in time
- To develop & maintain healthy relation
- To adopt fair trade practices in order to get regular supply of goods.

### Areas of CSR

#### 1. Corporate Social Responsibility

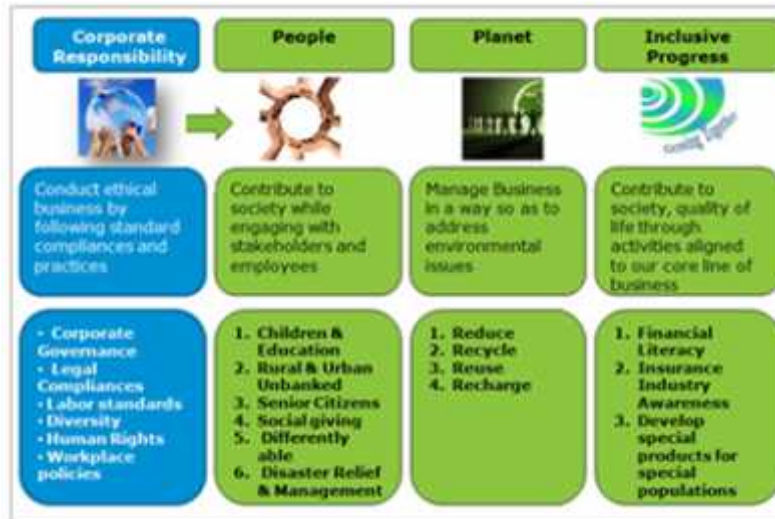
Corporate Social Responsibility (CSR) is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.



The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. Thus, we can say that:



- The CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses.
- CSR needs to address the well-being of all stakeholders and not just the company's shareholders.
- Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits.



## 2. Core Elements of Corporate Social Responsibility:

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

The CSR Policy should normally cover following core elements:

### • Care for all Stakeholders

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

### • Ethical functioning

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

### • Respect for Workers' Rights and Welfare

Companies should provide a workplace environment that is safe, hygienic and humane and which holds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

### • Respect for Human Rights

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

### • Respect for Environment:

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.



• **Activities for Social and Inclusive Development:**

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

**Implementation Guidance**

- The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects/activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non-government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects/activities from time to time.
- Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.
- To share experiences and network with other organizations the company should engage with well-established and recognized programmes/platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible.
- The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media.

**3. Areas of Corporate Social Responsibility**

Corporate social responsibility (CSR) and good corporate citizenship are key to success. CSR stance focuses on four key areas: client and marketplace, workplace, environment and community.



- **Community:** The priority of business is to contribute positively to the communities that they serve. Community health is at the centre of activity.
- **Environment:** All business activities have an impact on the environment and they have a clear responsibility to manage this impact as effectively as possible.
- **Marketplace:** Employees and partners are expected to undertake business with due skill, care and diligence. The partnership board manages the business and ensures proper adequate corporate governance is in place, with assistance from the legal, compliance and finance teams who operate within the corporate governance framework.
- **Workplace:** For a group that is all about helping people look and feel their best, it is second nature to make the health and wellbeing of employees a very high priority.

Companies continue to support their people through training and development so that they can successfully meet the challenges of industry.

**4. Types of Corporate Social Responsibility**

The idea behind corporate social responsibility is that companies have multiple responsibilities to maintain. These responsibilities can be arranged in a pyramid, with basic responsibilities closer to the bottom. As a business meets



lower-level responsibilities that obligate it to shareholders and the law, it can move on to the higher level responsibilities that benefit society.

- **Economic Responsibilities**

A company's first responsibility is its economic responsibility -- that is to say, a company needs to be primarily concerned with turning a profit. This is for the simple fact that if a company does not make money, it won't last, employees will lose jobs and the company won't even be able to think about taking care of its social responsibilities. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable.

- **Legal Responsibilities**

A company's legal responsibilities are the requirements that are placed on it by the law. Next to ensuring that company is profitable, ensuring that it obeys all laws is the most important responsibility, according to the theory of corporate social responsibility. Legal responsibilities can range from securities regulations to labor law, environmental law and even criminal law.

- **Ethical Responsibilities**

Economic and legal responsibilities are the two big obligations of a company. After a company has met these basic requirements, a company can concern itself with ethical responsibilities. Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it's the right thing to do -- not because they have an obligation to do so. Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries, for example.

- **Philanthropic Responsibilities**

If a company is able to meet all of its other responsibilities, it can begin meeting philanthropic responsibilities. Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society -- for example, by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes.

## 5. Approaches to Corporate Social Responsibility

The health of the community very often reflects the health of its businesses. At minimum, a corporate social responsibility policy adopts sustainable business practices that do no harm to a community's environment and people. At its best, a corporate social responsibility policy builds lasting and meaningful relationships with customers, employees and the public.

Taking the broader community needs into account is often beneficial to a business's financial well-being. Creating long-term partnerships with the community, and avoiding environmentally and socially damaging short-term solutions, secures enduring economic stability. There are many approaches to social responsibility defined by an organizations size and resources, but working with community-based initiatives, growing philanthropic efforts and developing business plans that are creating shared value are three of the most recognized.

### Community

- Supporting organizations, programs and events in local communities can have long-term positive impacts. There are many ways to get involved. For example, if a community event is being held in a neighborhood park:
- A local nursery can donate plants, flowers and staff times to lead an event-driven beautification project.
- Restaurants, bakeries and cafes can donate food for event goers, and help set up the food-stations.
- A concert venue could lend their lighting or sound equipment and staff to facilitate live entertainment.
- All of these efforts build positive brand recognition in conjunction with growing the community event.

### Philanthropy

Philanthropy is one of many ways that small businesses can approach corporate social responsibility. Microsoft announced in 2012 that its YouthSpark program will receive 500 million dollars to create opportunities in education, employment and entrepreneurship for close to 300 million youths in 100 countries over the next three years. While a small business may not be able to give millions away, donating time, resources or products to a socially-responsible cause like the American Red Cross or the American Diabetes Association is one way your business can make a difference.



### **Shared Value**

A social responsibility initiative focused on creating shared value recognizes that long-term business success and balanced social systems are interdependent. In order for a business to thrive, its community must be healthy, educated and well governed. Factoring formal investments in social welfare, education, civil society and healthcare into a strategic business plan creates opportunities to build social value and long-term growth.

### **6. Role of Government in Corporate Social Responsibility**

Governments are undoubtedly important counterparts for corporate social responsibility: by legislating and creating the right conditions, by providing public services and by facilitating and stimulating. Governments themselves can also be expected to be an 'ethical business' in their role as employer and as purchaser. Government organizations' must act in a socially responsible manner toward various groups of stakeholders.

In its role as legislator the central government has the duty to act if public interests are at stake. The legislator can intervene by prohibiting certain activities or by establishing specific minimum standards. The power of the government to fix such minimum standards is undisputed.

The various levels of government can be expected to help create favorable conditions for the further development and potential of corporate social responsibility.

- Firstly, this refers to the governance of the socio-economic order, the laying down and enforcement of rules governing an orderly society and economic transactions. This function is partly exercised in the context of the European Union or the World Trade Organization (WTO). The government acts as a kind of auctioneer who supervises competition, who helps in the development of institutions which increase transparency and can lower transaction costs, and who can act to correct shortcomings in the functioning of the market. A modern auctioneer operates interactively, responds to the needs of the market players and tries, together with market players and others in the public arena, to develop a common sense of good and bad, of right and wrong.
- Secondly, it refers to the government as a supplier of various public services, such as education, care and physical infrastructure. People are rightly querying the extent to which the quality and efficiency of public services can be improved through input from the private sector and by making greater use of the market mechanism. This is reflected in the Netherlands' urban policy. Nevertheless, the government remains ultimately responsible and must therefore make sufficient investment in the quality of such services and infrastructure. The government must not leave gaps in the expectation that the private sector, for example, will fill them. This would place excessive demands on enterprises and the government would be renegeing on its responsibility. The government must use its considerable resources effectively to perform its public tasks to the highest possible standard. This is the only way to provide a solid basis for a constructive public-private partnership and for initiatives by market players as regards corporate social responsibility.
- Thirdly, the government can act as a stimulator and facilitator of corporate social responsibility. The government is often more successful in achieving public goals when it can tie in with the self-organising capacity of companies, sector organizations and NGOs. The government has various instruments it can use. It can act as a partner with companies and other stakeholders. Concrete projects can then be carried out in Public- Private Partnerships. The government can also facilitate corporate social responsibility, for instance through subsidies and tax relief (such as the allowance for company employee training programs or the low-wage allowance).

### **7. Importance of CSR in Business**

When companies operate in an economically, socially and environmentally responsible manner, and they do so transparently, it helps them succeed, in particular through encouraging shared value and social license. Management and mitigation of social and environmental risk factors are increasingly important for business success abroad, as the costs to companies of losing that social license, both in terms of share price and the bottom line, may be significant.

### **8. Corporate Social Responsibility in India**

Mahatma Gandhi, the charismatic visionary leader who brought the cause of India's independence from British colonial rule, was a person who in several respects was ahead of his time. His view of the ownership of capital was one of trusteeship, motivated by the belief that essentially society was providing capitalists with an opportunity to manage resources that should really be seen as a form of trusteeship on behalf of society in general. Today, the world is coming



round full circle in emphasizing this concept through an articulation of the principle of social responsibility of business and industry. And this trend is no different in India either.

A much less publicized but deeper aspect of the importance of CSR in India comes to light when one considers CSR as a concept that covers a range of issues under the fabric of sustainable development. This is a crucial terminology for developing nations in the world today. Protection of the environment and a country's natural resources are a key element of this concept. Additionally, there is this equally important need to ensure that society does not suffer from disparities of income and provision of basic services like health care, education and literacy.

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship.

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

### **9. Current Status of CSR in India**

CSR is fast gaining momentum as an important aspect of business practice in India. An appreciative quantum of roundtables and networks pertaining to CSR are being established and doing good work.

A team of industry members and TERI researchers then works to develop appropriate solutions/strategies for use by the industry. Currently the Roundtable includes some of the leading Indian corporates, such as:

- The Associated Cement Companies Limited
- Bharat Heavy Electricals Limited
- Bharat Petroleum Corporation Limited
- Century Textiles & Industries Limited
- Gas Authority of India Limited
- Gujarat Ambuja Cements Limited
- Hindustan Lever Limited
- Indian Oil Corporation
- ITC Limited - Paper Brands & Speciality Papers Division

### **10. Global Status of CSR**

Increasingly, companies across the globe are recognizing that they have a wider responsibility to the communities within which they operate. Given below are examples of what CSR means in the USA and Europe.

- **CSR in USA:** The United States has had a strong tradition of corporate philanthropy. Corporate social programs have always been very popular. These include employee volunteering, matched giving, involvement with organizations with a very strong local community focus.
- **CSR in Europe:** In Europe, different countries have different cultural traditions, different styles of government (e.g. centralized versus decentralized), but there is a definite focus on social partnerships. This means getting business



and civil society engaged in issues that are significant to all – primarily social exclusion – through workforce participation.

### 11. Notable Work by Some Companies

There are scores of CSR organizations and business associations promoting corporate social responsibility, with a collective membership of thousands of companies-big, small, and medium-sized – in diverse industries. In the United States, San Francisco-based Business for Social Responsibility alone has 1,400 corporate members that globally employ more than six million workers, and account for a total annual revenue of US\$1.5 trillion. In Europe, the London-based International Business Leaders Forum accounts 60 major global companies as members, and has established affiliate resource centers in emerging market economies where there is a demand for corporate involvement in social causes. In developing countries such as India, Indonesia, Brazil, Egypt, and the Philippines, business associations dedicated to CSR exist. It can be said that there are as many variations of CSR activities as there are CSR advocate companies and organizations.

#### Work by Some Indian Companies is mentioned below

**Ashok Leyland:** Operates a FunBus in Chennai and New Delhi. This bus, equipped with a hydraulic lift, takes differently abled children and those from orphanages and corporation primary schools on a day's picnic. The company also runs AIDS awareness and prevention programmes in its Hosur factories for about 3.5 lakh drivers.

**Axis Bank:** The Axis Bank Foundation runs Balwadis which are learning places for children living in large urban slum clusters. It also conducts skill development programmes (PREMA and Yuva Parivartan) in motor driving, welding, mobile repairing, tailoring etc, for the youth in backward districts.

**Bharat Petroleum Corporation:** Its rain water harvesting project Boond, in association with the Oil Industries Development Board, selects draught-stricken villages to turn them from "water-scarce to water-positive". Some of BPCL's other social programmes include adoption of villages, prevention and care for HIV/AIDS and rural health care. Hindalco Industrialists CSR activities are concentrated in 692 villages and 12 urban slums, where it reaches out to about 26 lakh people. It has constructed check dams, ponds and bore wells to provide safe drinking water. In education, it awards scholarships to students from the rural schools it supports. Its other interests include women's empowerment and health care, in which it treats patients in hospitals, runs medical camps and operates rural mobile medical van services.

**Indian Oil Corporation:** It runs the Indian Oil Foundation (IOF), a non-profit trust, which works for the preservation and promotion of the country's heritage. IOCL also offers 150 sports scholarships every year to promising youngsters. Some of its other initiatives lie in the domains of clean drinking water, education, hospitals and health care.

**Infosys:** The Infosys Science Foundation, set up in 2009, gives away the annual Infosys Prize to honour outstanding achievements in the fields of science and engineering. The company supports causes in health care, culture and rural development. In an interesting initiative undertaken by it, 100 school teachers in Karnataka, who were suffering from arthritis, underwent free surgery as a part of a week-long programme.

**Mahindra & Mahindra:** Nanhi Kali, a programme run by the KC Mahindra Education Trust, supports education of over 75,000 underprivileged girls. The trust has awarded grants and scholarships to 83,245 students so far. In vocational training, the Mahindra Pride School provides livelihood training to youth from socially and economically disadvantaged communities. M&M also works for causes related to environment, health care, sports and culture.

**Oil & Natural Gas Corporation:** It offers community-based health care services in rural areas through 30 Mobile Medicare Units (MMUs). The ONGC-Eastern Swamp Deer Conservation Project works to protect the rare species of Eastern wamp Deer at the Kaziranga National Park in Assam. ONGC also supports education and women empowerment.

**Tata Consultancy Services:** Its Computer Based Functional Literacy (CBFL) initiative for providing adult literacy has already benefitted 1.2 lakh people. The programme is available in nine Indian languages. Besides adult education, TCS also works in the areas of skill development, health care and agriculture.



**Tata Steel:** It comes out with the Human Development Index (HDI), a composite index of health, education and income levels, to assess the impact of its work in rural areas. Health care is one of its main concerns. The Tata Steel Rural Development Society aims to improve agricultural productivity and raise farmers' standard of living.

## 12. Challenges to CSR

There are a number of challenges to the implementation of CSR. They are enumerated below:

- Maintaining continuous improvements in safety performance throughout the organization.
- Building a more robust safety culture
- Achieving significant reductions in resource use.
- Reducing waste arising and improving recycling rates.
- Integration of environmental considerations into supply chain management and purchasing decisions.
- To strengthen the people management framework to develop a positive and productive working environment.
- To achieve greater consistency in the management of people processes across the business.
- To communicate effectively the organization's goals and direction.
- To improve the employee attitude survey ratings.
- To achieve greater diversity in the workforce.
- Build the relationship with business in the community and with Local Authorities.
- To integrate consideration of environmental and social issues into the purchasing process.

## CSR is built on four key points

- Reputation: Building trust in a company is a long, uphill battle, but losing it can have dramatic effect on share prices and customer loyalty.
- Retention and Recruitment: Employees want to work for responsible companies that care about their employees and contribute to the society.
- Operational Efficiency: CSR can improve the bottom line by using materials efficiently and minimizing waste.
- Increased Sale: Cause-related marketing, ethical and environmentally conscious labels, and new product innovation can influence the top line.

## Benefits of CSR can be summarized as

- Improved financial performance
- Better risk and crisis management
- Reduced operating costs
- Increased worker commitment
- Good relations with government and communities
- Enhanced brand value and reputation
- Long-term sustainability for your organization and society
- Long-term return on investments
- Increased productivity
- A license to operate

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