**Corporate Social Responsibility**

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**Introduction**

Social responsibility or Corporate Social Responsibility (CSR) is self-imposed restriction by companies on their activities. CSR is a recent term but it has been followed by companies from many years ago. Companies know their responsibilities towards the society where they exist. As CSR concept is based on ethics, companies following CSR policies always strive to develop the society and environment. CSR refers to those activities through which companies control their actions and check whether they are following ethical and legal norms.CSR should be followed voluntarily by each and every company whether it is small or big, or multinational or local.

According to Cannon, “Corporate social responsibility means devising corporate strategies and building a business with the society’s needs in mind”.

According to Koontz and O’Donnel, “Social responsibility is the personal obligation of every one as he acts for his own interests to assure that the rights and legitimate interests of all others are not impinged”.

Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions. It is closely linked to sustainability − creating economic, social, and environmental value – and ESG, which stands for Environmental, Social, and Governance. All three focus on non-financial factors that companies, large and small, should consider when making business decisions.

**Social Responsibility of Business towards different Groups**

**Responsibilities towards Shareholders (or Owners):** **Owners):** In case of joint stock companies, the shareholders as

one unit are the owners of a company. There are thousands of shareholders of a large company, who appoint individuals as directors on the Board of Directors, which constitutes the Management of the company. The Management is responsible for protecting the rights of the shareholders, especially with regard to the return on investment the shareholders have made in the company with an attitude of trust. These responsibilities can be categorized as follows:

1. **Reasonable Dividend**: The interests of shareholders lie in a good dividend and handsome appreciation in the value of the shares they hold in the company. A responsible company takes care of these interests; on the other hand, there are fraudulent companies that misappropriate the money of the shareholders.
2. **Soundnes**s: A responsible management sees to it that its financial status is sound and it has a promising growth record.
3. **Information**: A responsible management keeps its shareholders informed about appointment of new directors, CEO, etc., any changes in policy, acquisition, change of auditors or solicitors, new projects, and any other facts relevant to the shareholders. Withholding relevant information from being disseminated to shareholders constitutes irresponsible behaviour.
4. **Protection of Assets**: The management of a company is responsible to protect the assets of the company, which constitutes responsible behaviour towards shareholders; as the assets are purchased using the moneys invested by the shareholders in the company.

2) **Responsibilities towards Workers/Employees**: Employees are the human resources of a company and as such deserve a humane attitude on the part of the management of a company. Following are the responsibilities of businesses towards their employees:

i) **Pay Fair Wages**: A company should regularly pay reasonable wages to its employees and revise the same from time-to-time as inflation rises. This enables employees to enjoy a satisfactory standard of life.

ii) **Provide Good Working Conditions**: A responsible management provides good working conditions for its employees. This is a basic right, as well as a necessity to maintain sound physical and mental health.

iii) **Provide Adequate Service Benefits**: Service benefits include adequate house rent and medical allowances; adequate insurance; and retirement benefits. These are essentials for leading a life with a feeling of security.

iv) **Extend and Gain Cooperation**: A responsible management cooperates with and gains the cooperation of its employees. An atmosphere of mutual cooperation gets the best possible results in terms of profitability for the company, which means more funds at the disposal of the management that can be used for employee welfare activities, apart from the fact that the management is in a better position to pay higher wages to its employees.

1. **Recognise Employees’ Rights**: A responsible management recognises and protects the rights of its employees – the right to fair wages, the right to basic facilities like paid leave, the right to form unions, etc.
2. **Provide Opportunities for Growth**: The management should provide to its employees ample opportunities for growth by providing or sponsoring training allowing leave to enhance qualifications and by holding continuous learning programmes.

3) **Responsibility towards Customers**: A company stands with its head held high because of a large number of satisfied customers; after all, the company gets its profits by sale of its goods or services. For being satisfied, a customer needs the best possible quality at the lowest possible price. On the other hand, a customer does not remain loyal to a company that is ethically not sound; not delivering quality as assured, cheating in measurements; inadequate servicing facilities; discourteous behavior are examples of ethically unsound behavior.

It is the responsibility of the management to pay adequate attention to the following aspects:

1. **Need Satisfaction**: Are the goods of the company made to cater to the needs of the customers, or does the company manufacture goods for its profits and then coax people into buying these goods in spite of the fact that they do not need these goods? A responsible company manufactures goods to satisfy customers’ needs. It also keeps in mind the purchasing capacity of its customers.
2. **Regular Flow of Goods**: The management should ensure regular supply of quality goods at affordable prices. Disruption in supply of goods may cause hoarding and spiraling up of prices, which is not in interest of the customers.
3. **Courteous Service**: Courteous behavior while selling, i.e., courteous salesmanship; and courteous and effective after-sales service are the two vital factors at the heart of customer-friendly behavior.
4. **Precise Information**: The management should provide precise information to its customers, be it on advertisements, product information brochures, or packages. A company that does not put this into practice is not trusted by customers.
5. **Fair Trade Practices**: There are guidelines laid down regarding fair trade practices. Hoarding, misleading by providing false information, adulteration, etc., are unfair trade practices, which a responsible company should shun.

4) **Responsibilities towards Suppliers**: Suppliers supply materials as raw material input or as component input to manufacturers and traders, mostly on credit terms. A company that buys these from suppliers has the responsibility to pay the agreed amount within the agreed time period and behave courteously with them. Breach with regard to any of these behaviours on the part of the company makes it untrustworthy of its suppliers. Following are the responsibilities of businesses towards their suppliers:

i) Being precise about the specifications of goods ordered.

ii) Contracting with the suppliers on fair terms and conditions.

iii) Informing about changes in specifications fairly in advance.

iv) Paying the agreed amount within the agreed time period.

v) Keeping the suppliers informed about future plans.

5) Responsibility towards Creditors: Apart from suppliers, a company has other creditors like banks and financing organisations that have provided loans to it. The company has the following responsibilities towards such creditors:

i) A company should furnish accurate information about its financial status, including its assets and liabilities; about other loans availed of; its suppliers; its major customers; etc.

ii) A company should repay loans promptly and in any case never after the due date. For delayed return of loan, it should pay interest at the agreed or reasonable rate.

iii) Even after receiving the loan amount, the company that has received the loan should not behave arrogantly but should understand that advancement of loan and receiving of loan are mutually cooperative acts that satisfy needs of both parties.

6) **Responsibilities towards Government**: Apart from those laws of a country that are commonly applicable to one and all, there are laws that are specifically applicable to certain sectors of business. It is the responsibility of every business house to act in conformity with both these categories of laws.

In general, all businesses should fulfill the following responsibilities towards the government:

i) To obey the laws of the countries in which they operate.

ii) To honestly pay all government taxes within the stipulated

iii) To shun all corrupt practices while dealing with the government.

iv) To avoid aggrandisement of wealth and monopolisation.

v) To act in conformity with fair trade practices.

7) Responsibilities towards Society/Community: Following are the responsibilities of businesses towards society:

i) **Socioeconomic Objectives**: A society’s socioeconomic objectives broadly include social welfare and economic welfare of its underprivileged individuals. It is the responsibility of every company or firm to use its resources to meet socioeconomic objectives of the society in which it operates. It is also required of every company to not indulge in, and to discourage, antisocial and unfair behavior.

ii) **Improvement of Local Environment**: Responsible management should ensure that (i) its operations do not pollute the environment; (ii) it helps create a health-promoting environment; (iii) it develops gardens, recreational facilities, playgrounds, etc., to enhance the quality of life of its staff and the general public.

iii) **Employment Opportunities**: Creating employment opportunities is one of the essential social responsibilities of all businesses. It helps reduce unemployment and crime.

iv) **Efficient Use of Resources**: Apart from improvement of environment, the resources of businesses should be used for general beneficial initiatives like free or subsidised medical consultancy facilities, free medical check-up facilities, legal assistance, community halls for weddings, cooperative stores selling goods at fair prices.

v) Ethical Behavior: It is the social responsibility of every business to ensure that the ethical canvas of the society in which it operates is not blemished due to its activities. It should strictly ensure that everyone associated with it adopts ethical and sociable behavior – business-related or otherwise.

**Arguments for Social Responsibility**

Following are the arguments in favour of the concept that businesses should fulfill corporate social responsibility:

1. **Changed Public Expectations of Business**: The most important argument in favour of CSR is related to the foundation of the structure called business. In the present times, the society has evolved into understanding that businesses should fulfill its social responsibilities in return for what it has received from the society, viz., the charter to exist and carry out its activities. Businesses survive and prosper because of the society at large. Firstly, the society buys goods/services sold by businesses to fulfill its needs. Secondly, society pays taxes to government, which are used by the government to provide various facilities and benefits to businesses.
2. **Improved Business Environment**: Businesses can thrive in a peaceful environment and in a happy society. To fulfill CSR, businesses provide better facilities and amenities for the society and carry out social welfare activities — all these create a peaceful and happy environment and enhanced quality of life for the society. Also, fulfillment of CSR creates an environment of trust and confidence, resulting in lesser labour problems and good management-labour relationships.
3. **Enhanced Reputation**: A company that diligently fulfils CSR enjoys excellent reputation, which translates into a large number of loyal customers; faithful employees; and easy availability of credit from lenders.
4. **Avoidance or Minimisation of Government Regulation**: Government is ‘for the people’. Hence every government has regulations in place so that businesses act in public interest. Stronger and stricter the regulation, greater are the costs to fulfill those regulations. When businesses voluntarily fulfill their social obligations, the need for governmental regulation is minimised.
5. **Balance between Responsibility and Power**: Businesses generate lots of wealth and power for themselves. Economic power can affect the lives of thousands of people. Power gives great freedom, but freedom without responsibility results in arrogant and unethical behaviour. Hence, it is necessary to strike a balance between power and responsibility; the concept of CSR helps in doing just that.
6. **Businesses have the Resources**: Businesses have vast resources in various forms: money, manpower, managerial and other skills. A certain percentage of these can be and should be directed towards social welfare; it benefits one and all.
7. **Give Businesses a Chance**: Political organizations, NGOs, and social workers have all attempted implementing social welfare schemes, but none of them have had any appreciable effect, each having its own limitations. So why not give a chance to businesses? They have the resources which if complemented by a little bit of motivation can work wonders for social welfare. CSR provides such motivation.
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9. **Citizenship Argument**: Just like individual citizens, who have a set of rights and duties, corporations to have their own rights and duties. After all, a corporation constitutes a unit made up of individuals. Fulfilling corporate social responsibilities is one of the essential duties of a corporation as a citizen.
10. **Duty of Gratitude**: Businesses enjoy various benefits provided by society, like manpower. Can one assign a monetary value to human labour? Hence, out of gratitude for the benefits received from society, businesses should fulfill CSR.
11. **A Stitch in Time Saves Nine**: Experience has shown that procrastination in solving social problems proves to be a very costly affair in the long run. Delay in solving social problems causes the problems to establish deep roots and become more serious. Problems having become intense and deep rooted take up immense organisational resources and time. Such a situation would not arise if businesses fulfill social responsibilities by attending to social problems promptly and sincerely.

**Arguments against Social Responsibility**

Following are the arguments against social responsibility of businesses:

1. **Profit, the Sole Motive:** Some argue that earning maximum profits is the sole purpose of businesses, while social work and philanthropy is best left to government, NGOs, and social workers. They further argue that stable, profit-making businesses strengthen the economy, pay more taxes, create lots of job opportunities, bring about price reduction by large-scale production, earn foreign exchange for the nation, enable import substitution, and so on. All these effects of businesses indirectly benefit the common man. In this way, even maximisation of profits has beneficial social effects. Managers of businesses are trained and qualified to maximise profits for the businesses and thus benefit shareholders. CSR takes a backseat in that it is liable to fulfill only to the extent governmental regulations stipulate**.**
2. **Ultimately Society Bears the Cost:** Majority of the corporations are profit-centric and are not likely to bear the costs of fulfilling CSR. Most likely, they will pass on these costs to the consumers by correspondingly loading the prices of products. Through one hand the corporation gives to the society but take it back through the other hand. So ultimately, society bears the costs of CSR.
3. **Managers Lack Social-Work Skills**: Business managers are masters of their craft, viz., developing business. There are managers in departments not directly related to business operations, like the technical and administration departments; but they too are skilled only in their respective job functions. So asking these managers to get involved in social work is a waste of talent.
4. **Businesses have Enough Power**: Money power, which the businesses have in abundance, influences every segment of life — politics, government, education, entertainment, and so on. Businesses have enormous financial strength. Through advertisements, establishing educational institutions, selectively financing film-makers, businesses affect opinion and thinking, as well as lifestyle of the general public. Those who argue against CSR say that to give businesses power over social welfare activities means giving tremendous concentration of power in the hands of businesses. This is not an ideal situation, as concentration of power leads to exploitation, corruption, etc.
5. **Social Overhead Cost**: Fulfillment of CSR has social costs and social benefits; however, these benefits accrue in the long term. Also, the accrual of such benefits is dependent on many variable factors, making achievement of results uncertain. For example, farmers may be given interest-free loans for purchasing modern equipment, but rains may play truant and the desired benefits may not accrue in a particular season. Thus, social overhead costs prove to be a great burden on businesses, especially public sector undertakings.
6. **Lack of Accountability**: There is no accountability on the part of businesses with regard to their social welfare activities. Mostly, social welfare is a neglected sector, and there are no checks in terms of transparency and accountability. Fulfillment of CSR should have corresponding accountability, with methods devised to assess the results in terms of measurable parameters. However, this is not the case.
7. **Conflicting Opinions amongst Groups**: As CSR is directly connected to social welfare, every group in the society has some, more or less, stake in it. Businesses that deliver social welfare; government, which delivers and regulates social welfare; the general public, the recipient of the benefits; the employees; the intellectuals who mould general perceptions and values are all involved in the field of CSR. And the point is that there are innumerable differences of opinions — inter-group and intra-group — with regard to whether businesses should involve themselves in social welfare activities or not, and if so, to what extent; whether regulations are necessary or not; mode of assessment of results; and so on. These differences could easily escalate into dispute and friction, which may prove counterproductive to fulfilling CSR.Hence, businesses should not immerse in the field of social welfare and stick to business activities, where in they are accountable to their stakeholders.

**Social Responsibility Initiatives in India**

Major social responsibility initiatives taken in India are as follows:

1. **Tata Group**: Tata Group in India has a range of CSR projects, most of which are community improvement programmes. For example, it is a leading provider of maternal and child health services, family planning, and has provided 98 per cent immunisation in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programmes like rural health development.

Tata Group also has an organised relief programme in case of natural disasters, including long-term treatment and re-building efforts. It did laudable work during the Gujarat earthquakes and Orissa floods. It also supports education, with over 500 schools, and also is a benefactor of the arts and culture. It has done abundant work in improving the environment and local populations around its industries.

2) **Aptech**: Aptech a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country since its inception. As a global player with complete solutions-providing capabilities, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.

3) **Infosys**: Infosys is aggressively involved in a variety of community growth programmes. In 1996, the company created the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 per cent of profits after tax every year. Moreover, the Education and Research Department at Infosys also works with employee volunteers on community development projects. The management team at Infosys continues to set examples in the area of corporate citizenship and has involved itself vigorously in key national bodies. They have taken initiatives to work in the areas of research and education, community service, rural outreach programmes, employment, healthcare for the poor, education, arts and culture, and welfare activities undertaken by the Infosys Foundation.

4) **Mahindra & Mahindra**: At Mahindra & Mahindra, The K.C. Mahindra Education Trust was established in 1953 with the purpose of promoting education. Its vision is to renovate the lives of people in India through education and financial assistance across age groups and across income strata. The K.C. Mahindra Education Trust undertakes a number of education plans, which make a difference to the lives of worthy students. The Trust has provided more than `7.5 crore in the form of grants, scholarships and loans. It promotes education mostly by the way of scholarships. The Nanhi Kali (children) project has over 3,300 children under it and the company aims to increase the number to 10,000 in the next two years by reaching out to the underprivileged children, especially in rural areas.