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# Corporate Social Responsibility- An Overview

KEYWORDS: Eradicate, Value-Added, Abate, Solvency, Government, Community, Employees, Investors, Suppliers, Competitors.

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**ABSTRACT** *It is universal truth that we all are having social entity. All human being is lives in the boundary of society with different types of responsibilities regarding to society. But in this article I am not discussing about responsibilities of an Individual person. I am doing effort to explain social responsibilities of corporate sectors. A corporate sector is not set up only for earning profits for its shareholders. In spite of profit earning, a company is also responsible for society. A company should invest a substantial amount for fulfillment of its social responsibilities (The responsibility also includes a responsibility for the natural environment) and to be informed to its stakeholders about fulfillment of such obligations.*

**Introduction:**
Social Responsibility is also known as social accounting. Social accounting is the measurement and reporting of an entity's responsibilities towards Society. In eighteen century, when there was an industrial revolution, a famous economist, Adam Smith made some observations concerning the disadvantages that employees and society at large may be put into by businessman. Economist like Veblen, Joan Robinson, E. H. Chamberlin and others have expressed their concern directly or indirectly about the social cost of an industrial organization.

In India, Tata Iron and Steel Corporation Ltd. Jamshedpur realized its responsibility towards society. In the year 1912, its first move was to eradicate cholera and Malaria- an epidemic which struck the then a shanty town. For this purpose, TISCO were called two scientists from UK to prepare memorandum of health scheme.

Since, there is no legal binding on companies to disclose information in their financial statement about the social cost and social benefits. So, a few number of companies are engaged in social accounting practice i.e. TISCO, Cement Corporation of India, Steel Authority of India, Bharat Heavy Electrical Ltd. etc. In the year of 1961, AICPA defined Accounting as "An art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events which are in part at least of financial character and interpreting the result thereof". In the year of 1966, AAA defined to Accounting as the "Process of identifying, measuring and communicating economic information to permit informed judgment and decisions by the users of information". But in the year of 1968, Social Responsibility Accounting was pioneered by a well known accountant David F. Linowes. In the year of 1969, The Annual meeting of AAA called up Accountants to assist in the development of socially based income concept. For this purpose association formed "Socio- Economic Committee". In the same year, the committee suggested that definition of Accounting itself should be modified as- "Accounting is the art and / or science of management and interpretation of activities and phenomena which are essentially of social and economic nature. Thus the definition of accounting itself has undergone a sea changes and now social aspect also was added"

After setup the above 'Socio- Economic Accounting Committee' by AAA and finding a revised definition of Accounting, there was an awareness among the companies regarding to there social responsibilities. But up to the year 1970there was no any practical measurement to measure social responsibility. There after following models has been developed:-

**(1) <u>Corcoran and Leinger Model(1970)</u>**
This model is showing Inputs and Outputs of human and physical resources. But it was not success to give information regarding to social cost and benefits in the term of money.

**Format**
<u>Input</u>

Human Resources

Physical Resources

<u>Output</u>

Human Resources

Physical Resources

**(2) <u>David Linowes Model(1972)</u>**
This model has three parts- 1. Relation with people

2. Relation with environment
3. Relation with product
This model is criticized for unreasonable degree of subjectivity.

**Format**
**1. Relation with people:**
A. Improvements
B. Detriments
C. Surplus/Deficit

**2. Relation with environment:**
A. Improvements
B. Detriments
C. Surplus/Deficit

**3. Relation with product:**
A. Improvements
B. Detriments
C. Surplus/Deficit
**Total Surplus/ Deficit**

**(3) <u>Abt Associates Model (1972):</u>**
Abt Associates is a service organization and in the year of 1972 it was formed a new model of Social Accounting. In this model, there was 'Social Income Statement' and 'Social Balance Sheet' prepared and published in the Annual Report. But this model was not useful for manufacturing concerns and it was not showing a complete view of Social Cost and Social Benefits.

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**Format of Social Income Statement**
A. Staff Amount
Social benefit to Staff
Social cost to Staff
Net benefit/Cost to Staff

B. Community
Social benefit to Community
Social cost to Community
Net benefit/Cost to Community

D. General Public
Social benefit to General Public
Social cost to General Public
Net benefit/Cost to General Public
Net Total benefit/Cost

**(4) Ralph W. Estes Model(1973)**
This Model is more comprehensive because it takes into consideration the total cost and benefits from the point of view of the Society and not from the point of view of entity concerned. It refers direct effect of a single entity on society and not the indirect effect. It is useful for manufacturing concern also.

**Format**
Amount
Social benefit
Social cost
Social Surplus (Deficit) for the year;

**(5) Lee J. Seidler Model (1973)**
In this model, there was a comparison between 'Value Added' by production by the enterprise and 'Net Social Profit or loss'. It suggested that 'Net Social Profit or loss' should be equal to 'Value Added' by production by enterprise.

**Format**
Amount

Value Added by production of the enterprise

Add: Socially desirable output not sold

Less: Socially desirable effects not paid for

= Net Social Profit or Loss

**Responsibilities of Corporate Sectors towards various parties:**
A Company has responsibilities regarding to following stakeholders:

**1. Responsibility towards Employees:**
A company is always responsible towards their employees regarding to so many aspects, which are beneficial for the employees e.g. Full Employment, Job security, Social security, Higher Wages, Job satisfaction, Opportunities for self development and promotion, Sharing in excess profit, Welfare etc.

**2. Responsibility towards Government:**
Regarding to Government a company having so many responsibility i.e. Abate Pollution, Full & fair Payment of Tax on time, Environmental protection, Proper uses of natural resources, Follows the laws and respect the Acts etc.

**3. Responsibility towards Shareholders:**
It is fact that, Maximum interest in a company is of a Shareholder. Shareholders are owners of the company so there expectations are more from the company. They expect a Fair & Adequate return on their capital, they want to know about the growth & achievements of company so fair disclosure policy should be adopted by the company, It must ensure planned growth, Solvency and optimum utilization of the resources.

**4. Responsibility towards Consumers:**
A company is accountable towards consumers regarding to Quality of goods and Services at reasonable cost, weight of goods should be proper, Fair competition with other companies, Understanding the consumers needs, purchasing power etc.

**5. Responsibility towards Investors:**
If any person or any concern invests its funds in a company then, the investor wants respect of their request and suggestions, disclosure of all activities of company, Fair return of their investment and timely payment of all dues etc.

**6. Responsibility towards Suppliers:**
Every supplier desires that the activities of the company should be free from litigation, activities should be fair and truthful in respect of pricing, right to sale, Payment should be made on time and company is also responsible for long term stability in the relations with suppliers.

**7. Responsibility towards Community:**
A company is responsible to provide the facility of education, free or low cost Medical facility, Protection and development of culture, Donation to charitable institutions, Respect of human rights etc.

**8. Responsibility towards Competitors:**
There should be a healthy competitive behavior in respect of tangible and intellectual property rights. To be developed & foster open markets for free trade and investments.

In spite of the above mentioned categories corporate sector is responsible for Management of company, Tax collecting authorities and Nation also.

**Annexure-1**
**Social Income Statement**
**1. Social benefits & Cost to Staff**
A. Social benefits to Staff:
1. Medical and Hospital facilities
2. Education facilities
3. Canteen facilities
4. Recreation, entertainment & cultural activities
5. Housing & Township facilities
6. Water supply, concessional electricity & Transport
7. Training & career development
8. Provident fund, Gratuity, Bonus and Insurance benefits
9. Holiday home facility, Leave encashment and leave travel benefits
10. Other benefits

**Total benefits to Staff:**
B. Social Cost to Staff:
1. Lay off & involuntary termination
2. Extra house put in by officers voluntarily
3. Total cost to Staff

Net Social Income to Staff-I (A-B)

**II. Social Benefits & Cost to Community**
A. Social benefits to Community
1. Local taxes paid to Panchayat / Municipality
2. Environment improvement
3. Generation of job potential
4. Generation of Business

**Total social benefits to Community**
B. Social cost to Community
Increase in Cost of living in the vicinity on account of the cement plants.

**Net Social Income to Community-II (A-B)**
**III. Social benefits & Cost to General Public**
A. Social benefits to General Public
1. Taxes, Duties etc. paid to the State Government
2. Taxes, Duties etc. paid to the Central Government

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**Total social benefits to General Public**
B. Social cost to General Public

1. State services consumed- Electricity services
2. Central services consumed- Telephone, telegrams, Postal services and Banking.

**Total cost to General Public**
**Net Social Income to General Public-III (A-B)**
**Net Social Income to Staff, Community & General Public (I+II+III)**

**Annexure-II**
**Social Balance Sheet**
**Liabilities Assets**
I. Organisation Equity I. Social Capital Investment
1. Township Land
2. Buildings
(i) Township (Residential & welfare Buildings)
(ii) Canteen Buildings
3. Township water supply & Sewerage
4. Township Roads
5. Township Electrifications
II. Other Social Assets
1. Hospital Equipments
2. Hospital Vehicles / Ambulence
II. Social Equity Contribution 3. School Equipments
By Staff 4. Club Equipments
5. Playground / Park
6. School Buses
7. Others

**III. Human Assets**
Conclusion: After study the paper it is clear that a company is also a part of society and having great responsibilities towards various parties of society. Fulfillment of responsibilities depends on the size of the Company. Size of the Company is determined that what type of responsibilities and to what extent the company should bear and fulfill the responsibilities. Every Company should realize its social responsibilities in respect of education, Medical, Environment, Natural resources, Quality & quantity of goods and services, Accounting disclosure norms etc.

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