



Corporate Social Responsibility – Role of a Business Person with Reference to Indian Companies Act 2013

KEYWORDS

Corporate Social Responsibility, CSR, Indian Companies Act 2013, Social Activities.

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ABSTRACT

Corporate Social Responsibility of business refers to the social obligations of business to the society. The economic responsibility of business is to protect the economic interests of the public. The government is also showing keen interest in this area, as they too feel the responsibility of protecting the environment should be taken by the business person. Over the past four decades, consumers have increasingly begun to appreciate that the success of a business is inextricably tied to the welfare and stability of the community. 'People' and 'Planet' also have a part to play alongside 'Profit'. That views calls for a new corporate logic, in which caring for employees, communities and the environment is not only seen as morally correct, but also the best approach for community and profitability. This paper highlights the activities of the CSR to be implemented and the reasons behind.

1. INTRODUCTION ON CORPORATE SOCIAL RESPONSIBILITY:

Business is always regarded as profit making activity, which is carried on normal basis to earn profit. Profit is seen as the base line for doing business. Anyhow, we have seen business houses also spend money on doing social activity which is worth less for them directly. When some business person engage themselves in doing societal activities; others engage themselves in providing quality products at reasonable rate; still others engage in taking care of their employees by providing transportation, housing facilities, free food, education to the worker's children, free medical facilities to their families etc.

The term CSR came into common use in the early 1970s, when it was rarely expanded. Many large companies now uses this term of CSR and also uses a corporate social responsibility report along with their annual report. The CSR report concentrates on their non-financial societal activities, usually positive side. Corporate Social Responsibility is combination of three different words – Corporate (Business House), Social (Society), Responsibility (Obligation to be performed). Corporate Social Responsibility is an ethical theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society.

According to Benu Nayyar, "Corporate Social Responsibility is a concept that implies that organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation seems to extend beyond the statutory obligation to comply with laws and legislations and sees the corporation voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and the society at large. The scale and nature of corporate social responsibility can vary depending on the nature of the corporation".

The Indian Companies Act, 2013 - section 135, mentions the companies having net worth of above Rs 500 crores or turnover of the company to be above Rs 1000 crores or net profit of the company to be above Rs5 crores. This implication of CSR in the companies act shows the need of an hour in today business scenario.

2. REVIEW OF LITERATURE:

Peter F. Drucker^[6] has expressed that "Social Responsibility requires manages to consider whether their action is likely to promote the public good to advance the basic benefits of our society to contribute to its stability, strength and harmony".

Kenneth R. Andrews^[1] has observed that "by social responsibility we mean the intelligent and objective concern for the welfare of the

society that restrains individuals and corporate behavior from ultimately destructive activities, no matter how immediately profitable and leads in the direction of positive contribution to human betterment variously as the latter may be defined".

According to European Commission, "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

CSR Asia mentions about CSR, "A company's commitment to operating in an economically, socially, and environmentally sustainable manner whilst balancing the interests of diverse stakeholders".

According to the World Business Council for Sustainable Development (WBCSD) "Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large".

3. CORPORATE SOCIAL RESPONSIBILITY: PYRAMID STYLE

Archie Carroll^[5] has mentioned about CSR in a pyramid style, commonly known as Carroll's CSR pyramid. According to him CSR involves conduct of a business in such a way that it is economically profitable, law abiding, ethical and socially supportive.

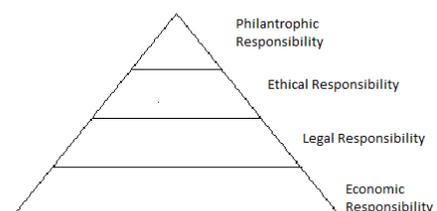


Fig 1: Carroll's CSR Pyramid

Archie Carroll Pyramid is explained here. The very base of the pyramid is Economic Responsibility which includes the purpose of existence of the business house, i.e. profit. Fulfilling the company primary objectives and taking care of the investors. The next level is Legal Responsibility is to abide the rules and laws of the place. To pay the taxes on time and honestly. The third level is Ethical Responsibility is reduce environmental pollution and to be good citizen. To know what is good and what is bad for society. To take care of the stakeholders. The fourth and final level is about philanthropic activity is to be good corporate citizen.

4. RESPONSIBILITIES OF BUSINESS PERSON TO DIFFERENT INTEREST GROUPS:

Responsibility towards Shareholders-

The shareholders are the owners of the company, so it is the primary responsibility of business to protect and safeguard the interests of the shareholders. The business person should make all efforts to ensure its image is protected. They should also provide reasonable return on investment to shareholders. It is the responsibility of the business person to provide accurate and regular information about the working and achievements of the company to the shareholders.

Responsibility towards Employees:-

The success of the company lies in the hands of the employees, because they are the one who turn organization dreams (objectives) to reality. Their co-operation and moral leads to churning of the wheel to success. Employees should be given fair wages and salaries. Provision for safe and good working conditions. Recognition of workers' rights and provision for medical facilities, housing, provident funds, pension funds and retirement benefits. Provision for workers participation in management and managerial decisions. Establishment of grievance cell to listen their problems and complaints.

Responsibility towards Customers:-

Customers are the essence of business survival. It has been recognized by all that customer satisfaction is the key of a successful business. The responsibility to customers includes to provide right type of goods, right price, right place and right time. To provide required after sales service. To avoid unfair and undesirable practices such as adulteration, hoarding of goods and black marketing.

Responsibility towards Suppliers:

Suppliers are the person who supply raw materials and other items required by manufacturers and traders. Responsibility towards suppliers include paying them fair price, regular orders, timely payment of dues.

Responsibility towards Government:-

Business house should abide by the rules, regulations and laws enforced by the government. To pay taxes and charges honestly and timely. To co-operate the government in social welfare schemes. To encourage fair trade practices.

Responsibility towards Community:-

No business can survive without spoiling the environment. What is required is to lessen the negative impact on the environment. Business houses can take appropriate steps to reduce environmental pollution, make best use of natural resources, and provide employment opportunities. To contribute to the national effort to build up a better and enlightened society. To conserve scarce resources of the country and develop their alternatives.

5. REASONS FOR TAKING CSR BY THE CORPORATE HOUSES:

Business Growth: Business is done for profit making, for which it needs the society in order to sell the products it has manufactured. Corporate utilizes the available resources like land, water, power, roads etc of the society, so it should take responsibility to spend a part for the welfare of the society.

Employee Satisfaction: Employees are the very essence of every corporate house, for the reason they are the one who fulfill the real objectives of the organization. They turn the corporate dreams into reality. So the employers, should try to satisfy the basic needs of an employee.

Consumer Knowledge: Consumers have a key role in corporate growth. They know their rights and buy the quality goods at the most competitive price. So the interest of the consumers has to be protected by the corporate.

Government Regulations : In order to meet government regulations and to avoid tough actions by the government agencies for polluting the environment, corporate indulge in CSR activities.

Public Image: Publicity is a kind of marketing where no money to be paid. When a corporate house involve in CSR activities their reputation and goodwill increases leading to a good profit turnover.

6. INDIAN COMPANIES ACT, 2013 AND CSR:

The replacement of the Indian Companies Act, 1956 with new Indian Companies Act, 2013 has included Corporate Social Responsibility (CSR) in its act under section 135. The act mentions every company either private limited or public limited, which either has a net worth of Rs 500 crore or turnover of Rs 1000 crore or net profit of Rs 5 crore, need to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. To start with CSR activities the company should give preference to the local area. Local area means where the company is located and the company operates. Company may also choose to associate with two or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects which is to be undertaken during the implementation year also focus on integrating business models with social and environmental priorities and process in order to create share value.

The Indian Companies Act, 2013 mentions the following activities to be carried out under CSR.

1. Companies can take activities to eradicate extreme hunger and poverty.
2. Promotion of gender equality and empowering women entrepreneurs.
3. Reducing child mortality and improving maternal health.
4. Combating human deadly diseases.
5. Enhancing Employment and Vocational Skills.
6. Ensuring environmental sustainability and ecological balance
7. Protection of national heritage and art and culture.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

7. CONCLUSION:

In India, even before the term CSR was coined, major companies like TATA, Mahindra and Mahindra, Bharat Petroleum Corporation and other companies were performing CSR activities. These business houses contributed a lot to the development of the economy and society at large. Social Responsibilities of a business corporation are huge as it has a number of interest groups. These interests of various groups are not always in synchronized manner. It is the corporate house task to strike an equitable balance among the conflicting interests. It is the duty of the corporate house to divide the return from business equitably by providing a fair return to investors, fair pay and working conditions to employees, good quality and fair prices to customers, fair price to suppliers and also serve as an asset to the local community and the nation. Corporate Social Responsibility is an important aspect of a business house and this should be carried out with utmost honesty and sincerity.

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