

CORPORATE SOCIAL RESPONSIBILITY FOR COMPANIES: A STUDY

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Abstract

In order for a company to be socially responsible, it first needs to be responsible to itself and its shareholders. The companies has grown their business to the stage where they can give back to the society. CSR is a basic strategy of large corporations and more the larger and successful organization thus more responsibility towards the society, ethical behaviour with the internal and external public.

Key words Corporate social responsibility

EPISSTEME

Introduction

In this growing globalized society, consumers have become more knowledgeable about the business activities of various organizations. Thus, the consumers are aware about the ethical instrument in determining which businesses they need to patronize. This phenomenon is affecting companies procedure and business activities. One of the more advantages of globalized economy comes in the form of Corporate Social Responsibility (CSR). CSR means the activities of companies addressing social and environmental issues in the society despite their profit-making motive.

Companies can achieve this by doing ethical labor practices, implementing efforts to reduce the impact on environment by the industries, donating to local and national sports, cultural events, and volunteering in social activities for well being of the society. Through CSR a healthy relation is developed between the consumers and the company which increases sales and the market share in a competitive market. Still there are many companies which does not take part in CSR even though knowing the benefits of it.

Objectives

To study the importance of CSR.

To study issues related to CSR.

Methodology

The research paper is based on information collected from secondary sources after the detailed study. An attempt has been made to present comprehensive analysis of Corporate social responsibility and detail study of it.

Corporate Social Responsibility

Corporate social responsibility is mostly abbreviated as ‘CSR’, is a corporation’s initiatives to assess and take responsibility for the company’s effects on environmental and social wellbeing. The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups.

CSR may also referred to as ‘corporate citizenship’ and can involve incurring short-term costs that do not provide an immediate financial benefit to the company but promote positive social and environmental change.

The history of CSR in some form or the other can be traced far back into the history of India, typically going back to the Vedic times. Nevertheless, the concept has passed through various stages of subsequent refinement through the ages in order to arrive at the sense in which we understand it today. More importantly, since the early 1990s, a new set of emerging trends have been visible in the development of CSR in India which have gained pronounced significance.

Applicability of Corporate Social Responsibility to Companies

Corporate Social Responsibility is required for all companies viz. private limited company, limited company. The following companies are necessary to constitute a CSR committee:

Companies with a net worth of Rs. 500 crores or greater, or

Companies with a turnover of Rs. 1000 crores or greater, or

Companies with a net profit of Rs. 5 crores or greater.

If any of the above financial strength criteria are met, the Corporate Social Responsibility (CSR) provisions and related rules will be applicable to the company. These companies are required to form a CSR committee consisting of its directors. This committee oversees the entire CSR activities of the Company.

CSR Committee and Policy

All qualifying company required to have a CSR committee are required to spend at least 2% of its average net profit for the directly preceding 3 financial years on CSR activities. Additionally, the qualifying company shall be necessitated to comprise a committee (CSR Committee) of the Board of Directors (Board) comprising of 3 or more directors. The CSR Committee will prepare and recommend to the Board, a policy which will specify the activities to be undertaken (CSR Policy); advocate the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy related to the company. The Board will take into account the recommendations made by the CSR Committee and support the CSR Policy of the company.

Activities permitted under Corporate Social Responsibility (CSR)

The following activities can be performed by a company to accomplish its CSR obligations:

Eradicating extreme hunger and poverty

Promotion of education

Promoting gender equality and empowering women

Reducing child mortality

Improving maternal health

Combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases

Ensuring environmental sustainability,

Employment enhancing vocational skills, social business projects

Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development, and

Relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

Importance to Local Areas and Neighborhoods

Under the terms of Companies Act, preference must be given by companies in its CSR activities to local areas and the areas where the company operates. Company may possibly also choose to link with 2 or more companies for fulfilling the CSR activities provided that they are competent to report individually. The CSR Committee will also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken, organize a list of projects and programmes which a company plans to embark on during the execution year and also focus on integrating business models with social and environmental priorities and process for the reason of creating share value. The company can in addition make the annual report of CSR activities in which they declare the average net profit for the 3 financial years and also approved CSR expenditure but if the company is not capable to spend the minimum required expenditure the company has to provide the reasons in the Board Report for non-compliance so that there are no related penal provisions.

Advantages of making CSR a part

The concept of corporate social responsibility is now firmly rooted around the globe as a business agenda. But in order to move from theory to concrete action, many hurdles need to be overcome. The positives of a CSR initiative are that it can bestow an organization both in terms of finances as well as managerial talent and also attract right people to work on the initiatives. Thus looking at the initiatives by Corporate around the world one feels that we can expect more from them.

There is an urgent need to address the various CSR initiatives and also a need to build a mechanism through which such efforts are recognized and rewarded. It would not be wrong in saying that transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

Examples of benefits to a Company:

Improved financial performance;

Lower operating costs;

Enhanced brand image and reputation;

Increased sales and customer loyalty;

Greater productivity and quality;

More ability to attract and retain employees;

Reduced regulatory oversight;

Access to capital;

Workforce diversity;

Product safety and decreased liability.

Examples of benefits to the Community and the General Public

Charitable contributions;

Employee volunteer programs;

Corporate involvement in community education, employment and homelessness programs;

Product safety and quality.

Examples of benefits to the Environment

Greater material recyclability;

Better product durability and functionality;

Greater use of renewable resources;

Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

It would certainly not be wrong to say that the leading global companies of 2020 will be those that would provide their customers and clients with goods and services and even reach out to them in a manner and with a approach that accommodates solutions to world's major challenges, such as poverty, climate change, resource depletion, globalization and demographic shift.

Issues and Challenges

The prime purpose of including CSR in corporate business is to make the corporate business activities as well as the corporate culture both sustainable in three ways: economic, social and environmental. Paying equal amount of attention to all the three dimensions, but many companies think that corporate social responsibility is a much exterior part of their business, whereas most think it to be an irrelevant issue for their business as satisfying their customers/clients is more important for them. It is further felt that customer satisfaction is only about price and service, but concentrating on only these aspects of business makes them blind folded towards other important changes taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity in itself for the business.

Some of the drivers pushing business towards CSR include:

Inefficiency of the Government

In the past, governments have relied only on legislation and regulation to deliver social and environmental objectives in the business sector which has lead to certain failed initiatives.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

It has been seen and proved through a survey conducted in the year 2002 in 25 countries by Environics International, it was found that more than one third of surveyed consumers believed that large companies “should do more than give money to solve problems.”

The same study found that almost 50 percent of consumers had considered punishing a company based on its social actions, and that nearly 30 percent had actually avoided a company for that reason. Further it was proved that the ethical conduct of companies have a growing influence on the purchasing decisions of customers.

Increased pressure from the Investor Investors are changing the way they analyze companies' performance, and are making decisions based on ethical concerns too.



Change in employee behaviour

Employees are increasingly looking beyond paychecks and benefits and seeking out employers whose operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Conclusion

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their own brands. As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employee and corporation; they can boost morale and can help both employees and employers feel more connected with the world around them.

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