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## **Corporate Social Responsibility: Cornerstone of Enduring Business Success**

**Ekta M. Chotaliya**

PhD Scholar, Department of Business Management, Saurashtra University, India

**P. K. Trivedi**

Professor, Saurashtra University, India

### ***Abstract:***

*In last few years, the concept of CSR has gained prominence from all avenues. Organisations should understand the fact that government cannot handle and manage the CSR activities single handed. Private business houses must contribute to the government CSR initiatives for upliftment and betterment of the society. Corporations now consider CSR as an important way to promote and market their products or services. Nearly all leading organisations in India contribute to education, health, empowerment of weaker sections of the society, etc. In this paper, we have studied the classification and benefits of CSR, current scenario of CSR in India and CSR as a top driven approach.*

**Keywords:** corporate social responsibility, benefits, present scenario, India

### **1. Introduction**

CSR relates business entities and societies in which they operate and with which they interact. The success of a firm's CSR reflects how well it has been able to manage stakeholder concerns while implementing its business model. CSR is one of the means for explaining the obligations a business has to its immediate society, a way of proposing policy ideas on how those obligations can be met, and a tool for identifying the mutual benefits for meeting those obligations. Highly CSR active business entities go beyond compliance with the legal framework and have a positive impact on society and business environment.

### **2. Objectives of the Study**

- To study the concept of CSR
- To study the benefits of CSR in present era
- To study the issues related to CSR

### **3. Research Methodology**

Research methodology is a science of studying how research is to be carried out. Research design in this study is descriptive study.

### **4. Literature Review**

Windsor (2001) in his article attempted to figure out whether CSR activities results in positive relationship between society and business in long run. The researcher also studied about the changing phase of CSR. Looking to the past trends of CSR and Carroll's model, researcher found the emerging alternatives of CSR i.e. global corporate citizenship, stakeholder management practices and conception of responsibility.

Nigel Sarbutts (2003) in the paper studied how small and medium sized companies perform CSR activities. The research showed that SMEs use structured approach to handle corporate reputation and profit maximization. Small business entities want to earn more reputation with minimum risk and lesser resources. They can impart more information and best utilise their resources to manage CSR activities.

Truscott, Barlett, Trwoniak (2009) in their paper "the reputation of CSR industry in Australia" conducted the interview of key industrialists in Australia and ask them to define CSR. The industrialists confirmed the importance of CSR and also talked about its ethical, economic and legal roles of CSR.

In their research study, Shah and Bhaskar (2010) had selected a case study of BPCL (Bharat Petroleum Corporation Ltd.). They talked about the connection between organization and society. Organization exists with the society. Business entities use resources like manpower, material, etc. from the society and in return provide services to the society. From this study they found out the numerous initiatives taken by BPCL as a part of CSR activities.

Bansal, Parida, Kumar (2012) in their paper “Emerging trends of Corporate Social Responsibility in India” analyzed 30 BSE listed companies from 11 sectors using their annual reports. Few of the sectors were telecom, housing, FMCG, oil & gas, IT & power, finance and metal mining sector, etc. They tried to study the areas and nature of activities in which companies are investing. They found out that now-a-days corporate have started considering CSR activities seriously. They do not only focus on profit maximization but also wish to serve society by various means other than their business.

The Economic Times (11 Jan. 2013), news talked about Dell’s strategy that encourages its employees in initializing csr activities. The company focused in the areas of education, environment and employee welfare as a part of its CSR. The news also disclosed that Maruti and Godrej arrange for induction training for preparing employees to serve the society. Maruti run a program called e-parivartan for a group of employees to make them aware about community problems and their solutions.

Mallen (2012) in his research article showed how the trends of CSR have changed and that has affected both the business and society. The researcher had stated basic things about the changing trend. They are: (i) Social and environmental issues around the globe brought the society and business entities together and closer. (ii) Business strategies affect the society too. They come up with CSR management that reflects in their products and services.

### 5. CSR: A Top Driven Approach

- It is important that CSR flow from top to down in the organizational hierarchy. Employees should be made aware about the importance of CSR activities. Employees’ involvement in CSR activities should be considered as an important factor during their performance appraisal and evaluation. This would result in active participation and initiation of employees towards CSR activities.
- There should be incentives and awards to reward the efforts of employees towards CSR activities.
- CSR statement and policy should be internalized with the company mission and vision statement to which every employee is abided and responsible.
- There should be an annual/quarterly/monthly preparation of CSR reports and they should be made public in order to increase the transparency in the system and to increase the employees’ participation.

### 6. Classification of CSR Activities

- **Responsibility towards the company itself:**  
Each company itself is responsible for smooth and efficient running of its business activities. It should function towards growth, expansion and stability which result in profit earning.
- **Responsibility towards employees:**  
Employees are the most precious asset of the company. There are some responsibilities of corporate towards their employees like fair remuneration, timely wage payment, good working conditions, unbiased appraisal system, health care facilities, work motivation, etc.
- **Responsibility towards shareholders:**  
Business entity is responsible for safeguarding the shareholders’ investment and to provide a reasonable return on their investment.
- **Responsibility towards state:**  
As per income tax laws, the state is entitled to certain share of corporate profit. Maximal transparency has to be there regarding profit and loss account and the balance sheet.
- **Responsibility towards environment:**  
It is the moral responsibility of the business entity to save and protect environment. Industrial waste should be managed properly so as to reduce its possible hazardous effects. Business entity should manufacture eco friendly products and must take steps to control the environmental pollution.
- **Responsibility towards consumers:**  
The company should sell the products with high quality standards at reasonable rates. It should take care that quality standards are well maintained over a period of time. Customers must not be misled and cheated.

### 7. Benefits of CSR Activities

- Expectations of consumers and society are changing with time. They expect more from the companies whose product they buy.
- In today’s era employees want more than just financial benefits from the organization. They want to associate with the organization which is socially responsible. Strong CSR practices help in attracting, recruiting and retaining the best young talent.
- As the world has become the global village, consumers are being more informative and aware about the conditions in which they are produced along with the sustainability impact.
- The organizations performing CSR activities expect their business partners to perform the similar kind of programmes. Sometimes it may happen that the selection is on the basis of social responsiveness of the suppliers.
- In the era of globalization and growing economies, corporate have become more conscious and concerned about their social image and reputation. Unethical and irresponsible behaviour lead to distorting company image. Thus internalizing CSR activities is very much beneficial.

- Environment conservation and restoration is the major area of concern for the industries across the world. Companies perform CSR activities to conserve natural resources, environment protection, minimising global warming effects, etc.

### 8. Present state of CSR in India

Indian government introduced Corporate Responsibility for Environmental Protection (CREP) in 2013 as a ground rule for 17 polluting industrial sectors. However it was not mandatory for implementation and internalization. Apart from the individual countries' efforts, internationally some CSR standards and guidelines have been provided like ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, UN Global Compact and The Universal Declaration of Human Rights.

Presently India has become the only country with legislated CSR. The Act requires both public and private companies in India which have either

- Net worth of Rs. 5 billion or more,
- Turnover of Rs. 10 billion or more, or
- Net profit of Rs. 50 billion or more

within any of the previous three financial years, to contribute 2% of their average net profits from the three preceding financial years to Corporate Social Responsibility initiatives, or specify their reasons for not spending that amount in their Board of Director's annual reports. With higher economic growth and increasing company profits, this mandatory spending will go up.

A sub-committee of company's board of directors monitor the CSR spending of each company. To develop a CSR policy, to recommend CSR activities to be undertaken and the amount of spending on each activity, and to monitor the company's CSR policy fall under the purview of this sub-committee. The company's board of directors is responsible for ensuring that at least 2% of the average net profit of the company over the past three years is spent on CSR initiatives.

As per the current law, if expenditure is not in the course of the business of the company, it is disallowed in course of tax assessments. Hence the question may arise whether CSR expenditure is incurred in the course of company business or not. Thus CSR rules may result in sizable expenses which are disallowed in tax assessments.

### 9. Conclusion

There has been seen an upward shift trend in CSR awareness and initiatives taken up by the business entities. Increasing social and environmental problems caused by the businesses across the world has become a major issue to look CSR as an important part of their business activities. CSR activities do have positive impact on corporate image as well as on society. Now-a-days legislators are coming up with the regulations which force businesses to act more responsible whether that is in regard to the environment, health, safety, finance or other distinct areas. If corporations themselves take numerous initiatives regarding these issues then they can avoid government intervention.

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