



## **Understanding the corporate social responsibility**

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### **Abstract**

Company can be defined as an association of persons coming together voluntarily to pursue a certain economic activity with the motive to make profit. The Indian companies act 1956 section 3 (1) company registered under the company act. The relationship of the company beyond the legal existence to the socio-economic scenario is well summarized by Berle (1959) according to him; the company is not merely a legal institution. It is rather a legal device for the attainment of any social or economic end to a large extent this is done publicly and by being socially responsible. This brings us to the concept of corporate social responsibility (CSR) as corporations derive wealth from society. The company's Act, 2013 (CA2013) has introduced path-breaking changes in Governances mechanisms, compliances and disclosures, appointment and scope of auditors, responsibilities of independent directors, investor protection and mergers and acquisitions. Introduction of new concepts like corporate social Responsibility for the first time anywhere in the world line with global thinking on corporate giving for social causes.

**Keywords:** company registered, corporate social responsibility, disclosures

### **1. Introduction**

The great trading companies were the first business enterprises. Business activities got organized into three major categories sole trading concern, partnership firms and Joint stock Companies.

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The company's Act, 2013 (CA2013) has introduced path-breaking changes in Governances mechanisms, compliances and disclosures, appointment and scope of auditors, responsibilities of independent directors, investor protection and mergers and acquisitions. Introduction of new concepts like corporate social Responsibility for the first time anywhere in the world line with global thinking on corporate giving for social causes.

The origin of this idea is the expectation from government that companies need to spend time, money and effort to meet their social obligations and contribute to social and public welfare on an ongoing basis, specified companies that make profits are required to set aside a portion of such profits and spend the same in promoting certain notified causes.

### **2. Applicability of corporate social responsibility provisions**

Section 135 and schedule VII of CA 2013 and companies (CSR) Rules, 2014 state that companies in corporate in India and a foreign company having branch and /or project office in India, having a annual turnover of at least INR 10 billion and more, or a net worth of at least INR 5 billion or a net profits made during the three immediately preceding financial years on social activities prescribed in schedule VII. The section is not applicable to a company which ceases to meet the above criteria for three consecutive years .The term 'net Profit' as defined under rule 2(F) of CSR rules excludes dividend income received from another Indian company and profits made by the company from its overseas branches.

### **3. Changing the views on the role of companies in society**

The role of business in society are changing companies are increasingly expected to assist in addressing many of the worlds pressing problems, including climate change poverty and HIV/ AIDS according to a 2016 survey by the consultancy firm MCKinsey, carried out among the chief executive officers (CEOs) of selected companies 95% of the CEOs believed that society has greater expectations than it did five years ago that companies will assume public responsibility.

### **4. Understanding CSR**

It is important to understand that CSR goes beyond Philanthropy, though that may be its beginning; it has to take into account integrity and accountability in the long-run process of sustainability. For a better understanding of this concept.

It is been divided into four aspects of CSR

1. Responsibility
2. Accountability
3. Sustainability
4. Social contract

#### 4.1 CSR and Responsibility

Clarkson (1995) has tried to differentiate between responsibility, responsiveness and performance. He has argued that a Fundamental Problem in the field of business and society has been the notable absence of definitions of corporate social performance, corporate social Responsibility and corporate social responsiveness and lack of consensus about the meaning of these terms from an operational or managerial viewpoint.

He emphasizes that CSP can be analyzed more effectively by using a framework based on the management of a corporations relationships with its stakeholders than by using CSR models and methodologies. Corporations manage relationships with specific stakeholder groups rather than with society at large. The crux of the problem stems from the meaning of the world 'Social and how it links to everyday business activities. In fact, Clarkson (1995) defines society as a level of analysis that is more inclusive, more ambiguous, and further up the ladder of abstraction than a corporation itself.

#### 4.2 CSR and Accountability

Is one of the processes whereby a leader, company, or organization seeks to ensure integrity? In a global stakeholder society, accountability is among the key challenges of organizations. Responsible leaders are concerned with reconciling and aligning the demands, needs, interests, and values of employees, customers, suppliers, communities, shareholders, nongovernmental organizations (NGOs), the environment, and society at large. A company's track record in terms of CSR accounting will be effective when appropriate CSR measures are included in its internal as well as its supply-chain activities. Furthermore, the literature reflects a growing need for dissemination of good practice in CSR accountability and a need for more pressure to be exerted on NGOs to prove themselves as ethical, transparent, and accountable as those they seek to influence (Frame, 2005). A relevant point raised in some literature has to do with the effectiveness of strategies undertaken by communities to demand corporate accountability (Garvy & Newell, 2005). This literature argues that the success of community-based strategies for corporate accountability is conditional upon the right combination of state, civil, societal, and corporate factors. Frynas (2005) makes the point that accountability is more than making false promises. In the oil, gas, and mining sectors, despite the promise of CSR and the spending of over US \$500 million in 2001 alone on a long list of community development programs and other CSR initiatives, the effectiveness of the initiatives has been increasingly questioned. Frynas points out that there is mounting evidence of a gap between the stated intentions of business leaders and their actual behavior and impact in the real world of financial funding. CSR requires accountability by all leaders, individuals, organizations, stakeholders, customers, and community members, and yet accountability is complex. The factors which influence the

effectiveness of corporate accountability are multiple and tightly interconnected. This interconnectedness and its relationship to accountability are represented in the work of Dolan (2004), which uses the example of his own company to illustrate the idea of considering a business as an interconnected web of relationships, with the consequences of every action the company takes having an impact on both the world and the company's long-term business.

#### 4.3 CSR and sustainability

Sustainability is derived from the concept of sustainable development which is defined as —development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship.

Legal and ethical principles of business are outcomes of the chosen behavior of individuals who could be the principal (owner) or agent (managers) acting on behalf of the organization. Therefore, the action of the principal or the agents in either business or government must stand the test of morality if their actions have to be enforced under the law. Total business relationship with its various stakeholders is a concept that would embrace both legal and ethical obligations and contractual rights and duties. More often than not, there will be ethical conflicts in serving the different constituents of business not only because of the conflicting interests of different constituents but also due to the differences in understanding the purpose of business.

#### 4.4 CSR and Social Contract

CSR is related to the social contract between the business and the society in which it operates. At any one time in any one society, there is a set of generally accepted relationship, obligations and duties between the major institutions and the people. Philosophers and political theorists have called this set of the common understanding the social contract (Steiner and George 1972).

Thought business has the bigger responsibility of going beyond philanthropy, we must also keep in mind that each stakeholder also has reciprocal duties with others and the consuming community also has the obligation to make the tradeoff between cost and sustainability and interests alone because each stakeholder has an important role to play and one cannot be destroyed for the benefit of the other. Just as business needs to do just tradeoff between stakeholders based on priority and sustainability, stakeholders also have to understand that at times one has to give up ones interest for the benefit of all. This reciprocal relationship between business and society is shown in Fig.1

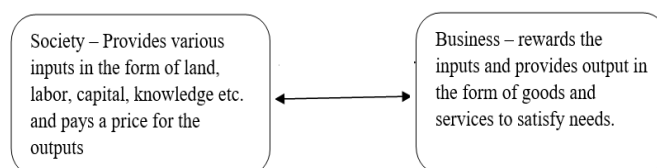


Fig 1: The reciprocal relationship between society and business

## 5. Objectives of the Study

The study has been geared towards achieving the following objectives:

1. Get an overview of the concept of modern business.
2. To understand the concept of CSR.
3. Understand organizations as living systems and assess their purpose.

## 6. Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

## Scope

Initially, CSR emphasized the official behavior of individual firms. Later, it expanded to include supplier behavior and the uses to which products were put and how they were disposed of after they lost value.

## Definition

- Corporate social responsibility has recently been defined by Sheehy as "international private business self-regulation." Sheehy examined a range of different disciplinary approaches to defining CSR. The definitions reviewed included the economic definition of "sacrificing profits," a management definition of "beyond compliance", institutionalist views of CSR as a "socio-political movement" and law's own focus on directors' duties. Further, Sheehy considered Carroll's widely used description of CSR as a pyramid of responsibilities, namely, economic, legal, ethical and philanthropic responsibilities.
- Carroll 1991 extended corporate social responsibility from the traditional economic and legal responsibility to ethical and philanthropic responsibility in response to the rising concerns on ethical issues in businesses <sup>1</sup>This view is reflected in the *Business Dictionary* which defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources
- Rules 2© of CSR defines corporate social responsibility to mean and include projects of programmers relating to activities specified in schedule VII to CA 2013 within these parameters which the Government has also stated are to be interpreted liberally in order to allow companies the flexibility of deciding on its CSR project, a company may decide the activities that it will undertake for this purpose.

## 7. Conclusion

Thus, we see that CSR is not a modern discovery and certainly not a discovery that can be credited to the economically development a prerequisites for CSR involves a number of stakeholders with uniqueness of the demands stems from the

fact that each actor in the socio-economic scenarios a product of the scenario and also shapes the scenario. Therefore, CSR needs to be part of the DNA of an organization for the organization to understand this dilemma and institutionalize the concept; this requires that the organization be driven not only by rules and regulations, but also by idealism.

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