

CORPORATE SOCIAL RESPONSIBILITY IN BUSINESS ENVIRONMENT

Abstract

Businesses can thrive in a peaceful environment and in a happy society. To fulfill CSR, businesses provide better facilities and amenities for the society and carry out social welfare activities — all these create a peaceful and happy environment and enhanced quality of life for the society. Also, fulfilment of CSR creates an environment of trust and confidence, resulting in lesser labour problems and good management-labour relationships. Industrialization, centralization of huge economic activities in urban areas, materialism, etc., which are the results of extensive business-centric approach, have brought on a variety of problems in the social arena. These problems include lowered levels of health, stresses, income disparities, crime, pollution, and so on. It is therefore a moral responsibility of businesses to use its resources to combat these problems and provide the much-needed relief to society. A company that diligently fulfils CSR enjoys excellent reputation, which translates into a large number of loyal customers; faithful employees; and easy availability of credit from lenders.

Keywords: Businesses, Environment, Industrialization, Centralization, Responsibility and Reputation

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I. INTRODUCTION

Social responsibility or Corporate Social Responsibility (CSR) is self-imposed restriction by companies on their activities. CSR is a emerging term but it has been followed by companies from many years ago. Companies are aware of their responsibilities to the communities in which they operate. As CSR concept is built on ethics, organizations that follow CSR policies always try to improve society and the environment.

CSR refers to the activities that firms use to monitor their actions and ensure that they adhere to ethical and legal standards. CSR should be followed voluntarily by each and every company whether it is small or big, or multinational or local.

According to Cannon, “Corporate social responsibility means devising corporate strategies and building a business with the society’s needs in mind”.

According to Koontz and O’Donnel, “Social responsibility is the personal obligation of every one as he acts for his own interests to assure that the rights and legitimate interests of all others are not impinged”.

Corporate Social Responsibility (CSR) is the concept that a company should play a good role in the community and take responsibility for the environmental and social consequences of business actions. It is closely linked to sustainability (producing economic, social, and environmental value) and ESG (Environmental, Social, and Governance). All three are concerned with non-financial variables that firms of all sizes should consider when making business decisions.

II. SOCIAL RESPONSIBILITY OF BUSINESS TOWARDS DIFFERENT GROUPS

1. Responsibilities towards Shareholders (or Owners): In case of joint stock companies, the shareholders as one unit are the owners of a company. There are thousands of shareholders of a large company, who appoint individuals as directors on the Board of Directors, which constitutes the Management of the company. The Management is responsible for protecting the rights of the shareholders, especially with regard to the return on investment the shareholders have made in the company with an attitude of trust. These responsibilities can be categorized as follows:

- **Reasonable Dividend:** Shareholders' interests are served by a healthy dividend and a substantial increase in the value of the company's stock. A competent corporation looks after these interests; on the other side, there are fraudulent companies that misappropriate shareholder funds.
- **Soundness:** A responsible management ensures that the company's financial situation is sound and that it has a potential growth track record.
- **Information:** A responsible management communicates its shareholders on the appointment of new directors, CEOs, and other executives, changes in policy, acquisitions, changes in auditors or solicitors, new initiatives, and any other data pertinent to the shareholders. Irresponsible behaviour would include withholding relevant information from shareholders.

- **Protection of Assets:** The management of a company is responsible to protect the assets of the company, which constitutes responsible behaviour towards shareholders; as the assets are purchased using the moneys invested by the shareholders in the company.
2. **Responsibilities towards Workers/Employees:** Employees are a company's human resources, and as such, they require a humanitarian approach from the company's management. The following are the obligations of businesses to their employees:
- **Pay Fair Wages:** A company should provide reasonable wages to its employees on a regular basis and update them as inflation rises. This allows employees to live a comfortable lifestyle.
 - **Provide Good Working Conditions:** A responsible management provides healthy working conditions for its employees. This is a basic right, as well as a necessity to maintain sound physical and mental health.
 - **Provide Adequate Service Benefits:** Service benefits include adequate house rent and medical allowances; adequate insurance; and retirement benefits. These are essentials for leading a life with a feeling of security.
 - **Extend and Gain Cooperation:** A responsible management team collaborates with, and secures the collaboration of, its employees. An atmosphere of mutual cooperation yields the best possible results in terms of profitability for the company, which means more funds at the disposal of management for employee welfare activities, in addition to the management being in a better position to pay higher wages to its employees.
 - **Recognise Employees' Rights:** A responsible management understands and protects its employees' rights, such as the right to fair wages, the right to basic amenities such as paid leave, the right to organise unions, and so on.
 - **Provide Opportunities for Growth:** The Management should provide enough opportunity for advancement to its personnel by giving or funding training, granting leave to improve qualifications, and holding continuous learning courses.
3. **Responsibility towards Customers:** A company stands with its head held high because of a large number of satisfied customers; after all, the company gets its profits by sale of its goods or services. For being satisfied, a customer needs the best possible quality at the lowest possible price. On the other hand, a customer does not remain loyal to a company that is ethically not sound; not delivering quality as assured, cheating in measurements; inadequate servicing facilities; discourteous behavior are examples of ethically unsound behavior.

It is the responsibility of the management to pay adequate attention to the following aspects:

- **Need Satisfaction:** Are the company's goods designed to meet the demands of the customers, or does the company manufacture items for profit and then persuade people to buy them even when they don't need them? A responsible corporation produces goods to meet the needs of its customers. It also considers the purchasing power of its clients.

- **Regular Flow of Goods:** The management should ensure regular supply of quality goods at affordable prices. Disruption in supply of goods may cause hoarding and spiraling up of prices, which is not in interest of the customers.
 - **Courteous Service:** The two critical components at the heart of customer-friendly behavior are polite behavior when selling, i.e., courteous salesmanship, and courteous and effective after-sales care.
 - **Precise Information:** Management should deliver accurate information to its clients, whether through marketing, product information brochures, or packages. Customers do not trust a corporation that does not put this into practice.
 - **Fair Trade Practices:** There are guidelines laid down regarding fair trade practices. Hoarding, misleading by providing false information, adulteration, etc., are unfair trade practices, which a responsible company should shun.
- 4. Responsibilities towards Suppliers:** Suppliers supply materials as raw material input or as component input to manufacturers and traders, mostly on credit terms. A company that buys these from suppliers has the responsibility to pay the agreed amount within the agreed time period and behave courteously with them. Breach with regard to any of these behaviours on the part of the company makes it untrustworthy of its suppliers. Following are the responsibilities of businesses towards their suppliers:
- Being precise about the specifications of goods ordered.
 - Contracting with the suppliers on fair terms and conditions.
 - Informing about changes in specifications fairly in advance.
 - Paying the agreed amount within the agreed time period.
 - Keeping the suppliers informed about future plans.
- 5. Responsibility towards Creditors:** Apart from suppliers, a company has other creditors like banks and financing organizations that have provided loans to it. The company has the following responsibilities towards such creditors:
- A company should furnish accurate information about its financial status, including its assets and liabilities; about other loans availed of; its suppliers; its major customers; etc.
 - A company should repay loans promptly and in any case never after the due date. For delayed return of loan, it should pay interest at the agreed or reasonable rate.
 - Even after receiving the loan amount, the company that has received the loan should not behave arrogantly but should understand that advancement of loan and receiving of loan are mutually cooperative acts that satisfy needs of both parties.
- 6. Responsibilities towards Government:** Apart from those laws of a country that are commonly applicable to one and all, there are laws that are specifically applicable to certain sectors of business. It is the responsibility of every business house to act in conformity with both these categories of laws.

In general, all businesses should fulfill the following responsibilities towards the government:

- To obey the laws of the countries in which they operate.

- To honestly pay all government taxes within the stipulated
- To shun all corrupt practices while dealing with the government.
- To avoid aggrandizement of wealth and monopolization.
- To act in conformity with fair trade practices.

7. Responsibilities towards Society/Community: Following are the responsibilities of businesses towards society:

- **Socioeconomic Objectives:** Socioeconomic aims of a society include the social and economic well-being of its poor citizens. Every corporation or firm must use its resources to satisfy the socioeconomic goals of the society in which it works. Every organization is also expected to refrain from and discourage antisocial and unjust behavior..
- **Improvement of Local Environment:** Responsible management should ensure that (i) its operations do not pollute the environment; (ii) it helps create a health-promoting environment; (iii) it develops gardens, recreational facilities, playgrounds, etc., to enhance the quality of life of its staff and the general public.
- **Employment Opportunities:** Creating employment opportunities is one of the essential social responsibilities of all businesses. It helps reduce unemployment and crime.
- **Efficient Use of Resources:** Apart from environmental improvements, business resources should be used for general good initiatives such as free or reduced-cost medical consultations, free medical check-ups, legal aid, community halls for weddings, and cooperative stores selling goods at reasonable prices.
- **Ethical Behavior:** Every business has a social obligation to guarantee that the ethical canvas of the community in which it works is not blemished as a result of its operations. It should strictly enforce that everyone involved with it engages in ethical and sociable behaviour, whether related to business or not.

III. ARGUMENTS FOR SOCIAL RESPONSIBILITY

Following are the arguments in favour of the concept that businesses should fulfill corporate social responsibility:

- 1. Changed Public Expectations of Business:** The most significant reason in favour of CSR is related to the foundation of the corporate structure. Nowadays, society recognizes that enterprises must satisfy their social duties in exchange for what they have acquired from society, namely the right to exist and carry out their activities. Businesses exist and thrive as a result of society as a whole. To begin, society purchases goods and services from businesses in order to meet its requirements. Second, society pays taxes to the government, which the government uses to give various services and benefits to businesses.
- 2. Improved Business Environment:** Businesses may grow in a happy community and a peaceful environment. To fulfill CSR, businesses improve facilities and amenities for society and engage in social welfare activities — all of which contribute to a calm and joyful environment and an improved quality of life for society. Furthermore, fulfilling CSR promotes a trusting and confident environment, leading in fewer labour concerns and positive management-labor connections.

3. **Enhanced Reputation:** A company with a strong commitment to CSR has an outstanding reputation, which translates into a big number of loyal consumers, dedicated staff, and simple access to credit from lenders.
4. **Avoidance or Minimization of Government Regulation:** Government is 'for the people'. Hence every government has regulations in place so that businesses act in public interest. Stronger and stricter the regulation, greater are the costs to fulfill those regulations. When businesses voluntarily fulfill their social obligations, the need for governmental regulation is minimized.
5. **Balance between Responsibility and Power:** Businesses create a great deal of power and wealth for themselves. Thousands of people's lives can be influenced by economic power. Power provides a great deal of freedom, but freedom without accountability leads to arrogant and unethical behavior. Hence, it is necessary to strike a balance between power and responsibility; the concept of CSR helps in doing just that.
6. **Businesses have the Resources:** Businesses have vast resources in various forms: money, manpower, managerial and other skills. A certain percentage of these can be and should be directed towards social welfare; it benefits one and all.
7. **Give Businesses a Chance:** Political organizations, NGOs, and social workers have all attempted implementing social welfare schemes, but none of them have had any appreciable effect, each having its own limitations. So why not give a chance to businesses? They have the resources which if complemented by a little bit of motivation can work wonders for social welfare. CSR provides such motivation.
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9. **Citizenship Argument:** Just like individual citizens, who have a set of rights and duties, corporations to have their own rights and duties. After all, a corporation constitutes a unit made up of individuals. Fulfilling corporate social responsibilities is one of the essential duties of a corporation as a citizen.
10. **Duty of Gratitude:** Businesses profit from a variety of societal benefits, such as manpower. Is it possible to put a monetary value on human labour? As a result, in gratitude for the benefits obtained from society, corporations should engage in CSR.
11. **A Stitch in Time Saves Nine:** Procrastination in tackling social problems has shown to be a highly costly affair in the long run. Delays in resolving social problems cause them to grow deeper roots and become more serious. Problems that have become acute and deeply rooted consume vast amounts of organizational resources and time. Such a situation would not occur if businesses fulfilled their social obligations by responding to social problems in a timely and sincere manner.

IV. ARGUMENTS AGAINST SOCIAL RESPONSIBILITY

Following are the arguments against social responsibility of businesses:

1. **Profit, the Sole Motive:** Some state that corporations exist solely to maximize profits, leaving social service and philanthropy to the government, non-governmental organizations (NGOs), and social workers. They further say that stable, profitable enterprises strengthen the economy, pay more taxes, create many job possibilities, reduce prices through large-scale production, earn foreign currency for the country, facilitate import substitution, and so on. All of these commercial benefits benefit the average person indirectly. In this approach, even profit maximization has a positive social impact. Business managers are taught and certified to increase earnings for their companies and so benefit shareholders. CSR takes a back seat in that it is only obligated to fulfill to the extent that governmental requirements require.
2. **Ultimately Society Bears the Cost:** The majority of firms are profit-driven and are unlikely to absorb the costs of CSR compliance. Most likely, they will pass on these expenses to customers by raising product prices accordingly. The company contributes to society with one hand but takes it back with the other. As a result, the expenses of CSR are eventually borne by society.
3. **Managers Lack Social-Work Skills:** Business managers are experts of their trade, which is business development. There are managers in departments that are not directly related to company operations, such as technical and administrative, but they are only skilled in their respective job tasks. So asking these managers to get involved in social work is a waste of talent.
4. **Businesses have Enough Power:** Money power, which corporations have in plenty, has an impact on every aspect of society, including politics, government, education, entertainment, and so on. Businesses have tremendous financial resources. Businesses influence popular opinion and thinking, as well as lifestyle, through ads, educational institutions, and selectively funding film-makers. Those who oppose CSR claim that allowing companies control over social welfare initiatives entails giving businesses a significant amount of influence. This is not an ideal condition because power concentration leads to exploitation, corruption, and so forth.
5. **Social Overhead Cost:** Fulfillment of CSR has social costs and social benefits; however, these benefits accrue in the long term. Also, the accrual of such benefits is dependent on many variable factors, making achievement of results uncertain. For example, farmers may be given interest-free loans for purchasing modern equipment, but rains may play truant and the desired benefits may not accrue in a particular season. Thus, social overhead costs prove to be a great burden on businesses, especially public sector undertakings.
6. **Lack of Accountability:** Businesses are not held accountable for their social welfare initiatives. Generally, social welfare is a neglected area with no checks and balances in terms of openness and accountability. Accountability for CSR fulfilment should be

developed, with ways designed to assess the results in terms of measurable indicators. However, this is not the case.

7. **Conflicting Opinions amongst Groups:** As CSR is directly connected to social welfare, every group in the society has some, more or less, stake in it. Businesses that deliver social welfare; government, which delivers and regulates social welfare; the general public, the recipient of the benefits; the employees; the intellectuals who mould general perceptions and values are all involved in the field of CSR. And the point is that there are innumerable differences of opinions — inter-group and intra-group — with regard to whether businesses should involve themselves in social welfare activities or not, and if so, to what extent; whether regulations are necessary or not; mode of assessment of results; and so on. These differences could easily escalate into dispute and friction, which may prove counterproductive to fulfilling CSR. Hence, businesses should not immerse in the field of social welfare and stick to business activities, where in they are accountable to their stakeholders.

V. SOCIAL RESPONSIBILITY INITIATIVES IN INDIA

Major social responsibility initiatives taken in India are as follows:

1. **Tata Group:** Tata Group in India has a range of CSR projects, most of which are community improvement programmes. For example, it is a leading provider of maternal and child health services, family planning, and has provided 98 per cent immunisation in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programmes like rural health development. Tata Group also has an organized relief programme in case of natural disasters, including long-term treatment and re-building efforts. It did laudable work during the Gujarat earthquakes and Orissa floods. It also supports education, with over 500 schools, and also is a benefactor of the arts and culture. It has done abundant work in improving the environment and local populations around its industries.
2. **Aptech:** Aptech a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country since its inception. As a global player with complete solutions-providing capabilities, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.
3. **Infosys:** Infosys is aggressively involved in a variety of community growth programmes. In 1996, the company created the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 per cent of profits after tax every year. Moreover, the Education and Research Department at Infosys also works with employee volunteers on community development projects. The management team at Infosys continues to set examples in the area of corporate citizenship and has involved itself vigorously in key national bodies. They have taken initiatives to work in the areas of research and education, community service, rural outreach programmes, employment, healthcare for

the poor, education, arts and culture, and welfare activities undertaken by the Infosys Foundation.

4. **Mahindra & Mahindra:** At Mahindra & Mahindra, The K.C. Mahindra Education Trust was established in 1953 with the purpose of promoting education. Its vision is to renovate the lives of people in India through education and financial assistance across age groups and across income strata. The K.C. Mahindra Education Trust undertakes a number of education plans, which make a difference to the lives of worthy students. The Trust has provided more than `7.5 crore in the form of grants, scholarships and loans. It promotes education mostly by the way of scholarships. The Nanhi Kali (children) project has over 3,300 children under it and the company aims to increase the number to 10,000 in the next two years by reaching out to the underprivileged children, especially in rural areas.

VI. CONCLUSION

The most important argument in favor of CSR is related to the foundation of the structure called business. In the present times, the society has evolved into understanding that businesses should fulfil its social responsibilities in return for what it has received from the society, viz., the charter to exist and carry out its activities. Businesses survive and prosper because of the society at large. The society buys goods/services sold by businesses to fulfil its needs. Society pays taxes to government, which are used by the government to provide various facilities and benefits to businesses. Businesses generate lots of wealth and power for themselves. Economic power can affect the lives of thousands of people. Power gives great freedom, but freedom without responsibility results in arrogant and unethical behavior. Hence, it is necessary to strike a balance between power and responsibility; the concept of CSR helps in doing just that. Experience has shown that procrastination in solving social problems proves to be a very costly affair in the long run. Delay in solving social problems causes the problems to establish deep roots and become more serious. Problems having become intense and deep rooted take up immense organizational resources and time. Such a situation would not arise if businesses fulfil social responsibilities by attending to social problems promptly and sincerely.