Every Business Has a Responsibility to Give Back To the Society

Supriya Saxena

Research Scholar, Mewar University, Rajasthan

"To serve humanity is to serve God"

– by Swami Vivekananda

***Abstract*—"The business of business is to do business," was the traditional approach. This approach has of late undergone paradigm shift. The business goals are now closely associated with societies and environment within which the business operates. Here lies the basic concept of Corporate Social Responsibility. Many companies in various parts of the world started paying attention to CSR only after they had lost reputation. Narrowing down or bridging the gap of social inequality and thereby contributing to sustainable development is the motto of CSR. Being separated from society, short term economic gain can be achieved but the failure to align and orient the business goals with social and environmental factors will undermine the sustainability of those organizations in the long run. This article makes an endeavor to bring to light many facets of CSR, current scenario pertaining to CSR activities and its prospective effects in the country.**

***Keywords*—Banking, CSR.**

I. Introduction

A human being cannot live for himself alone. He needs to look after his family first and then contribute to the society's cause to the extent of this capability. The society has given us many things and we should return a part of it to the society. It is therefore an onus, primarily on the part of those who are better placed in the society to contribute for the societal good as a mark of gratitude towards the society.

Like human being a corporate body which enjoys the status of a separate legal entity under the law cannot also sustain only for business sake with sole motive of earning profit and paying huge dividends to its shareholders. Business is created by society as such business houses are obligated to society at large. They are to return something good to the society. "The business of business is to do business," was the traditional approach. This earlier traditional approach has of late undergone paradigm shift. The business goals are now closely associated with societies and environment within which the business operates. Here lies the basic concept of Corporate Social Responsibility (CSR).

According to World Business Council of Sustainable Development (WBCSD) CSR is, "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large."

According to CSR ASIA, CSR is "the company's commitment to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders."

Corporate social responsibility in respect of a corporate body embraces any practice that helps improve the lives of its work force, community and environment. Social responsibility has now turned to be an integral part of wealth creation process.

II. ORIGIN OF THE CONCEPT

The concept of 'corporate social responsibility' first emerged and came into common use in the late 1960s and early 1970s in United States of America when a few multinational corporate bodies formed the broader term 'stakeholders' over and above the narrower term 'shareholders' who are having direct shareholding in the company. Stakeholders mean those individuals, associates and communities on whom the organization's activities have an impact. With the advancement of time, the concept of CSR spread to European Countries also. In India too some business houses like Tatas and Birlas, initiated social activities without using the label of CSR. In recent times some other business houses have realized the strategic value of being more concerned about the social and community development issues through alignment of their activities according to the needs of the community at large.

III. CORPORATE SOCIAL RESPONSIBILITY – INTERLINKING WITH CORPORATE GOVERNANCE

Corporate social responsibility is not merely charity or philanthropy. There is clear distinction between charity or philanthropy and CSR. When a business house intends to donate a portion of its profits for charity, that measure turns to be charitable or philanthropic act. It may be either one time donation or an on going commitment of donation of money to a charitable trust or organization which utilizes the money for its own mission. Philanthropy has thus limited scope whereas CSR has a much wider scope since it is based on the idea that corporate success and social welfare are interdependent.

CSR is pragmatic responsiveness of business to stakeholders, consumers and community at large. It can be described as a continuing commitment of an organization towards well being of the society by conducting its operation ethically and in a transparent manner. Transparency and accountability are the important ingredients of good corporate governance. That way there is specific interlinking between CSR and good corporate governance and this interlinking attributes to CSR a magnified look quite distinct from philanthropy or mere charity.

IV. TRIPLE BOTTOM LINE

Integration of social and environmental concerns in the business operations is the modern management concept as reflected in corporate social responsibility. Achieving a balance of economic environmental and social imperatives is set as a goal in CSR activities and this is what is termed as Triple Bottom Line Approach (3BL). Corporate decision making process takes due care of public interest honoring the Triple Bottom Line meaning People, Planet and Profits (3Ps). People refer to work force and community of the region where the organization conducts its business. Planet refers to sustainable environmental practices. Profit means the economic value created by the organization after setting off cost of all inputs including the cost of capital locked up, thereby deviating from traditional accounting definition of profit.

V. SOCIETAL WELL BEING EXPECTED UNDER CSR

A schematic diagram as shown below guides one to have a glimpse of the societal well being that CSR activities, if implemented by a company, are expected to cater to the needs of the society wherein environmental factors also cannot be disregarded as the same have marked effect on the lives of the community.

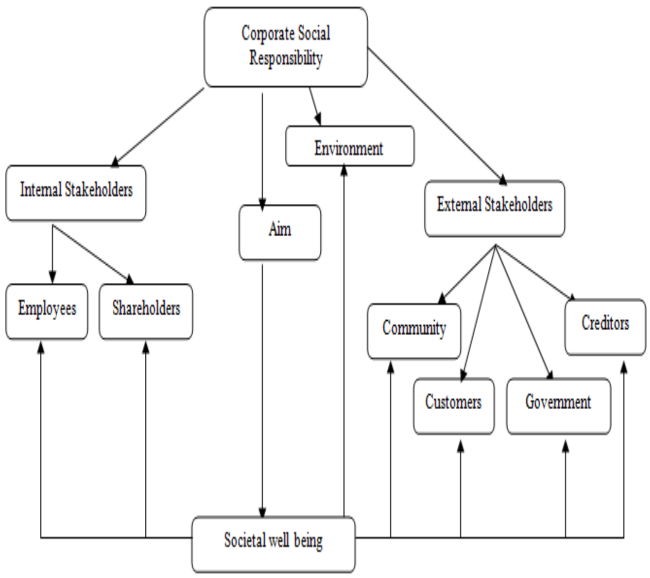

Figure 1

Employees: They will expect reasonable and fair wage structure, job surety, advancement in career, conducive and safe working condition, post-retiral economic security and so on.

Shareholders: Their expectation will be fair and regular return on their investment and increase in the market capitalization of investments.

Customers: The customer's expectation will be quality product and/or services at fair and reasonable prices.

Creditors: The creditors will expect timely payment of interest and return of principal amount according to the terms of the agreement of loan.

Government: It would be manifestly clear that the Government will expect business houses to carry on business in a fair, transparent and ethical manner. The government's further expectation from the organization would be timely payment of taxes that would be duly levied by the concerned government authorities.

Society at large: The society at large will have expectation of social welfare activities from large business houses like development of township, upliftment of rural and construction of roads , provision of r medical facilities, pure drinking water, promotion of education for all and so on.

Environment: Our planet Earth will also have expectation from business houses especially at a time when growing commercialization has been a severe environmental threat globally. The issues like global warming, emission of green house gases, etc., have been of much concern for global leaders at present. Given the situation, it assumes greater significance for the corporate bodies to strike a balance between Corporate Economic Responsibility and Corporate Social Responsibility. An organization following triple bottom line should not resort to manufacturing of such harmful or destructive products as may pollute the environment. Ecological balance through such measures like afforestation, control of carbon emission and other harmful gases, waste reduction, paper less office and on as may keep the environment clean and pollution free should be the aim of the business houses and placed on their priority agenda. Besides meeting these expectations CSR has emerged as a process of building up a good reputation. Many companies in various parts of the world started paying attention to CSR only after they had lost reputation. Narrowing down or bridging the gap of social inequality and thereby contribution to sustainable development is the motto of CSR. Being separated form society, short term economic gain can be achieved. But the failure to align and orient the business goals with social and environmental factors will undermine the sustainability of those organizations in the long run.

VI. CSR – A COMPONENT OF VALUE CREATION

Market forces are making CSR a crucial component of value creation. Price, quality and responsible services (PQR) towards society constitute three important parameters for corporate governance and also form the datum line of its brand value. PQR method is a source of success of any business where branding plays a key role for acceptability and recognition of the people at broader level. Branding covers a considerable part of marketing strategy. CSR helps strengthen the brand image. Relationship between brand value and CSR is stronger for familiarity and for favorability. This is because if a company is well known in its community, its CSR activities will strengthen its brand more than if the company is less well known. CSR activities have thus significant impact with customers who are already familiar with the company. CSR activities have thus significant impact with customers who are already familiar with the company. CSR activities cast a cascading effect of converting the prospective customers to actual customers in near future.

VII. CONCLUSION

A survey conducted by KPMG India in 2011 revealed the following picture as regards implementation of CSR activities by Indian Corporate bodies: "Of the selected companies, 31% report on social performance, 23% report the business risk of climate change, 13% report business risks in supply chain and 21% disclose green house gases emissions."

Forbes India collected data of India's top companies and ranked them from 1 to 100 based on Net Sales and the amount spent on CSR activities for the financial year 2013. it was revealed that actual aggregate spending on CSR activities was Rs 1,765 crore as against Rs 5,611 crore, the latter amount constituting 2% of aggregate profit after tax (PAT) pertaining to those companies (limit of CSR spending as provided in the new Companies Act, 2013). It may also be noted that many of the companies considered amongst top 100 did not feel like reporting their CSR Spends or even clarifying the social causes they supported. It would therefore be evident that ambience in our country is not as conducive as may be expected for effective implementation of CSR policies.

There are other hindrances too like:

- ❖ Lack of social awareness and conviction among key officials.
- ❖ Lack of adequate trained managers to execute CSR plans.
- ❖ Lack of interlinking between CSR and financial effects.
- ❖ Absence of impact analysis of CSR activities.

In this backdrop, the Central Government has introduced a commendable measure. In the new Act CSR activities have been made mandatory for certain specified companies thereby targeting to persuade reluctant corporate bodies to make sincere and concerted efforts towards their responsibility to the society in they operate. Without legal binging things do not move well always. That way this step by the Central Government of enacting CSR law is not only an act of novelty but also appears to be imperative and need of the day.

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