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Corporate Social Responsibility: Some Issues

Kh. Tomha Singh* and M. Raju Singh**

Abstract

CSR is an aspect of business ethics that has assumed significance in the present age of modernisation, globalisation and expanding markets. There is an increasing realisation that corporations are created by the society and that they must give back by serving the society and not merely by making profits from it. Thus, for instance, environment protection and supportive social action have become important factors that determine a company’s success in international as well as in many countries domestic markets. Corporations that shirk responsibilities towards society, the environmental and other stakeholders that have contributed to the growth and prosperity of the business are viewed as ‘not ethically-driven’ by the society at large and also by the international business community.

Key words: Corporate Social Responsibility, Business Ethics.

Introduction

Social responsibility is an ethical theory that an entity whether it is a government, corporation, organisation or individual has a responsibility to society. The different entities have different responsibilities, in so much as states showed the civil rights of their citizens, that corporations showed respect and encourage the human rights of their employees and that citizen showed abide with written laws. But corporate social responsibility can mean more than these example. Many NGOs accept that their role and the responsibility of their members as citizens is to help improve society by taking a practice stance in their societal roles. It can also imply that corporations have an implicit obligation to give back to society.

Social Expectations

In the development of corporate ethics, we have reached a stage where the question of the social responsibility of business to the community can no longer be scoffed at or taken lightly. In the environmental of modern economic development, the corporate sector no longer functions is isolation. If the plea of the companies that they are performing a social purpose in the development of the country is to be accepted, it can only be judged by the test of social responsiveness shown to the needs of the community by the companies. The company must behave and function as a responsible member of society, like any other individual. It cannot shun moral values, nor can it ignore actual compulsions. The real need is for some focus of accountability on the part of the management which is not limited to shareholders alone. In modern times, the objective of business has to be the proper utilisation of resources for the benefit of others. A profit is still a necessary part of the total picture, but it is not the primary purpose. This implies that the claims of various interests will have to be balanced, not on the narrow ground of what is best for the shareholders alone but from the point of view of what is best for the community at large. The company must accept its obligation to be socially responsible and to work for the larger benefit of the community.

The Ethical Culture Movement

The term ‘Ethical Movement’ is now generally restricted to those organisations which aim to promote appreciation and understanding of the sense of duty, of moral laws and of infinite human worth. Positiv
ism, utilitarianism and idealism were ethical movements in a sense and during the later part of the nineteenth century, a distinguished group of philosophers in England formed the London and Cambridge. Ethical societies, which conducted scholarly lectures and promoted philanthropy reforms.

The earliest as well as the most significant, however, of all such movements in the society for ethical cultures which was founded in New York in 1876 by Felix Adler.

Origin of the corporate Social Responsibility

The concept of CSR originated in the 1950s when American corporations rapidly increase in size and power. The concept continues to figure predominantly in public debates during 1960s and 1970s as the nation confronted pressing social problems of poverty, unemployment, race, relations, urban blight and pollution. Corporate Social Responsibility became a rallying cry for diverse groups demanding change in the business operations and philosophy.

Definition of the Concept

All accounts of CSR recognised that business firms have not one but many different kinds of responsibility including economic and legal responsibilities. Corporations have an economic responsibility to produce goods and services and to provide jobs and good wages to the work force while earning a profit. Economic responsibility also includes the obligation to seek out supplies of raw material, to discover new resources and technological improvements and to develop new products. In addition, the firms have certain legal responsibilities. One of these is to act as a fidiuciary, managing the assets of corporation in the interest of shareholders but corporations also have numerous legal responsibilities to employees, customers, suppliers and other parties. The concept of CSR is often expressed as the voluntary assumption of responsibilities that of beyond the purely economic and legal responsibilities of business firms. More specifically, social responsibility according to some accounts, is the selection of corporate goals and the evaluation of outcomes not solely for the criteria of profitability and organisational well-beings but by the ethical standards or judgements of social desirability. The exercise of social responsibility is this view must be consistent with the corporate objective of earning a satisfactory level of profit, but it implies a willingness to forgo a certain measure of profit in order to achieve non-economic ends. Let us see a few more definitions of corporate social responsibility.

European Common states about CSR as a “concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. The Institute of Chartered Accounts in England and Wales have defined CSR as “Corporate social responsibility is about ensuring the organisation’s manage their business to make a positive impact on society and environment whilst maximizing value for their shareholders”. Milten Friedman argued the concept saying “there is one and only one social responsibility to business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud”.

Archei B Carrel views social responsibility as a four-state continuum. Beyond economic and legal responsibilities lie ethical responsibilities, which are “additional behaviour and activities that is not necessarily qualified into law but nevertheless are expectations of business by society’s members. At the end of the continuum are discretionary responsibilities. These responsibilities are not legally required or even demanded by ethics; but corporations accept them in order to meet society’s expectations.

Corporate social responsibility can thus be defined as “bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance.”
Generally agreed examples of CSR activities:

1. Choosing to operate on an ethical level that is higher than what the law requires.
2. Making contribution to civic and charitable organisations and non-profit institutions.
3. Providing benefits for employees and improving the quality of life in the work-place beyond economic and legal requirements.
4. Taking advantages of an economic opportunity that is judged to be less profitable but more socially desirable than some alternatives.
5. Using corporate resources to operate a programme that addresses some major social problems.

<table>
<thead>
<tr>
<th>Arguments for social involvement</th>
<th>Arguments against social involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Changing Public needs and expectations.</td>
<td>1. Need for profit maximization</td>
</tr>
<tr>
<td>2. Moral obligation</td>
<td>2. Divided purposes and confused expectations</td>
</tr>
<tr>
<td>3. Limited resources</td>
<td>3. Cost of social involvement</td>
</tr>
<tr>
<td>5. Long-run profit</td>
<td>5. Business has enough power</td>
</tr>
<tr>
<td>6. Discouragement of further government regulation</td>
<td>6. Lack of social skills</td>
</tr>
<tr>
<td>7. Balance of responsibility with power</td>
<td>7. Lack of accountability</td>
</tr>
<tr>
<td>8. System interdependence requires social involvement</td>
<td>8. Corporate inability to make moral choices</td>
</tr>
<tr>
<td>10. Public image</td>
<td></td>
</tr>
<tr>
<td>11. Business has useful resources</td>
<td></td>
</tr>
<tr>
<td>12. Prevention is better than cure</td>
<td></td>
</tr>
</tbody>
</table>

The Trend

New age corporate leaders are replacing the business philosophy of ‘maximization of profit’ with optimization of profit by shifting their business profits from accountability to stakeholders including employees, customers, community and society. The growing focus on corporate social responsibility mandates that these stakeholders have the right to expect accountability and transparency as well as social and environmental investments from corporations as these corporations have survived and flourished because of the customers who buy their products and the employee who work for them, the community who support them, the environment that has provided natural resources, the shareholders who invest in their stocks and the partners and suppliers who work with them.

Benefits provided by CSR

A corporation that work alongwith the non government organisations or government organisations to solve societal problems such as substance abuse, education of economically backward sections, human right issues, unemployment, child labour etc., and environmental concerns such as recycling of materials, proper handling of industrial waste, effective pollution, abatement, effective addressing health hazards etc., would not only help society at large but also help itself to build its reputations and long brand equity.
It builds up confidence and trust in the market place. It increases the visibility of the organisation. Corporate social responsibility performance creates benefits for a corporation in the areas of marketing, shareholder value, human resources, innovation and many more.

In the context of Indian corporations, it is essential that the Indian corporations be seen as more responsible by integrating social issues with business practices. Global customers are demanding increasing social responsibility and community involvement from corporations they deal with. They prefer to build relationship with corporations that are committed to important societal and environmental causes. Their expectations on Indian corporations that they deal with is that they not only conduct tier business ethically but also ensure that the business effectively addresses environmental concerns and social responsibility issues. Ignoring Corporate Social Responsibility would mean endangering business success in the global marketplace. It is unlikely that a company can be ethical while not manifesting a high degree of social and environmental responsibility. Corporate Social Responsibility and responsibility to environment are themselves large and important issues for any company today.

Case of Nike

Nike’s tagging, “Just do it” is an inspirational call to action for the millions who wear the company’s athletic gear. But in terms of corporate responsibility, the company has not followed its own advice. In the 1990’s (Simon 2004) protestors rallied against sweatshop conditions at its overseas suppliers and made the Nike the global poster child for corporate ethical recklessness.

Nike business model to market high-end consumer products manufactured in cost efficient supply chains is no different from that of thousands of other companies. But the intense pressure that activists exerted on the athlete giant forced it to take a long hard look at corporate responsibility faster than it might have otherwise. Since the 1990’s, Nike has travelled a bumpy road on this front, but has ended up in a much better place for its troubles.

How to make CSR work (By institutionalization of ethics)

A company should have a sound ethics policy which requires to be implemented successfully. To do this, it is essential that the code of ethics is clearly communicated to employees. And employees are formally trained in it. The code is implemented strongly and contemporary. The company leadership adheres to the highest ethical standards.

Determinants of Corporate Social Responsibility and Policies and Practices to be pursued

1. Human resources: Development and protection of People
   a) Providing employees a safe, clean, healthy and pleasant work environment
   b) Protecting employees from harassing environments based on gender or ethnicity.
   c) Provide policies to cover grievance and employee representation.
   d) Helping employees with family responsibilities.
   e) Fairly compensating employees through waters and benefits for their labours and not undermining their rights to organise under the law.
   f) Reward people for environmental protections, human rights and sustainability efforts.
   g) Disclose credible and rigorous annual financial reports and accounts.
2. Community, cultural and societal involvement and philanthropy
   a) Being sensitive to the cultural and human rights of indigenous people
b) Obeying all applicable laws and regulations.

c) Conducting international business in a professional and non exploitative manner consistent with acceptable ethical conduct in organisation’s home culture.

d) Supporting educational, humanitarian, and/or environmental causes with financial donations or volunteer assistance or other socially responsible investments.

e) Participate in community environmental programmes and the forums that seek to protect the environment, support human rights, restore bio-diversity and enhance sustainability.

3. Environmental protection, waste reduction and sustainability.

a) Adoption of recognised environmental guidelines such as the CERES (Coalition for Environmentally Responsible Economies) Principles, ISO 14000 or BS 7750.

b) Seek to introduce environmentally friendly processes and practices through continuous improvement policies.

c) Humanely treating animals by avoiding animal instinct and seeking alternatives to animal testing when obvious alternatives do not exist.

d) Identify and reduce wastes in all waste streams.

e) Recycle everything that can be recycled.

f) Reduce use of water all consumable.

h) Purchase only energy saving and recyclable equipment and materials.

h) Reduce employee travel and use of travel related consumables and energy by providing alternative means of travel and communications such as teleconferencing, cell phones and web compatible computers, flexible hours, work at home options, and public transportation passes.

4. Produce, consumer and service contributions and protections.

a) Provide guidelines and means for consumer protection in accordance with laws and regulations.

b) Design products and means for consumer protection in accordance with laws and regulations.

c) Design products and services for the environment that use fewer raw materials and less energy in production or implementation.

d) Replace renewable material with more sustainable materials in products and services. This includes using organic materials locally produced and recycled.

e) Provide truthful information on the non environmental.

Corporate Social Responsibility in India

It is gratifying to note that a large number of Indian companies discharge their social responsibility quite satisfactorily. There are many companies which have excelled in such activities. However, it is to be noted that the money for social causes constitutes an insignificant proportion of the turnover of such companies. Some of the leading companies have been instrumental in setting up schools, college, dispensaries, hospitals, research institutes etc.

Since the Indian companies’ practice of CSR is still infant, BW and FICCI got together in 1999 to institute a CSR award in recognition of stellar work and to commend the spirit of using corporate resources, core competencies and funds for the benefit of people and the environment. BW-FICCI-SEDF CSR Award for 2007 is the Mahindra & Mihindra for its worthy targets of lending a helping hand to the state of Rajasthan in educating girls, and vocationally training youngsters from the weaker section NTPC
is Runner-up. The jury member chose Apollo Tyres-BW’s favourite among the 33 contestants for a special mention for its AIDS programmes around truckers. That it is new proffering to its country wide network of dealers. CSR rating of the 500 largest Indian companies released last month by Karmayog, a website focused on social issues, concluded, “The results are disappointing” The report estimates the overall CSR spend by these companies for FY-2007 at barely Rs. 2,000 crore. Very few companies are using their core competence to benefit the community- most are only making token adhoc donations to charitable trusts or NGOs.

The Prime Minister Manmohan Singh issued a ten-point social charter for the corporate sector last May, “In a modern society, business must realize its social responsibility... The time has come to ask what can we give back to India. Complimenting credible CSR work, Prime Minister appealed to companies to engage extensively in activities that benefit to society. Prime Minister Man-Mohan Singh’s 10-point social charter for companies.

1. Invest in worker welfare and health, their children’s education, pension and provident fund benefits.
2. Factor in community needs around operation, don’t define CSR by tax planning alone.
3. Pro-actively employ the less privileged at all levels. Deliver credible results at an early date. Make work places conductive to the employment of physically less-able.
4. Resist high remuneration to promoters and senior executives and discourage conspicuous consumption.
5. Invest in skill-building and education to make the youth employable current efforts need to be multiplied a thousand times and companies need to allocate resources for this vital work.
6. Desist from non-competitive and restrain cartel types behaviours.
7. Invest in environment-friendly technology conserve national resources and ecology, and avoid wasteful consumption.
8. Promote enterprise and innovation withing firms and outside.
9. Develope codes of conduct for business practices and for fighting corruption.
10. Promote socially relevant messages and causes in the media.

(a) Corporate Social Responsibilities at Mahindra of Mahindra Ltd.

M & M’s project Manhi Kali supports the education of girls in the poorest and most remote parts of the country, including tribal belts in Rajasthan, Madhya Pradesh, Chattisgarh and Andra Pradesh. They plans to reach out to over 6,000 Manhi Kali schools, which would benefit girls from class I - X. The efforts has supported 38,000 disadvantaged girls since 1946.

The Mahindra group is also working with socially disadvantaged sections of society. The Mahindra pride school, near Chinchwad outside Pune, provides live-lihood training to 600 young men every year from schedule castes, scheduled tribes and other backward castes. Courses which have been designed to generate employment, cover information technology, hospitality and sahs. 90% of students enrolling for the pride school’s three month training programme go through intense English and computer education, after which the Mahindras help the students apply for jobs with starting pays Rs. 4,000-5000 a month. The Mahindra United World College, on the outskirts of Pune, supported the enrolment of three children from a near by village into American Universities. Then, M & M has also entered into a public- private partnership with the government of Rajasthan to set up a mid-day meal kitchen at a cost of Rs. 1 crore to feed 25,000 children in Jaipur districts Govindgarh.
In the North East is one place where M & M health initiative has been gathering stream. There, M & M is taking up polio vaccination and AIDS awareness as a priority even in districts where the group does not have a plant, sales outlet, or other operation.

(b) Corporate Social Responsibility at NTPC Ltd.

It has been the constant endeavor of NTPC Ltd to initiate in the areas of health, environment, development of the girl child and education. More than 200 villages over 2, 500 people have benefited from NTPC’s CSR activities. NTPC Ltd to provide Training and creating self-sufficiency amongst villages around the 23 projects with active involvement of its workforce.

(c) Corporate social responsibility at Apollo Tyres Ltd.

An important domain Apollo Tyres have death with is that of making corporate citizenship a possibility to all their business units and extend it to encompass perhaps every stakeholder. Some of the steps taken specifically in this regards are:-

HIV/AIDS and STD awareness and prevention amongst truck drivers and their helpers through Apollo Tyres Health care clinics in seven cities.

Working on a new, less environment- unfriendly kind or tyres and recycling of water.

(d) Corporate social responsibility at TATA Tea:

Tata has changed the world for many disabled men and women through Tata Tea’s Srishti project in Munnar. The company’s stationery unit recycles tea waste to make paper.

For community Development the company runs the Dare school to provides education based on each kid’s capabilities.

(e) Corporate social responsibility at ONGC Ltd.

ONGC spends its profits on the communities near it operations. For every Rs. 100 it earns in profits, the Rs. 56, 267 crore company return 75 praise back to the communities where it operates. This money goes towards schools and hospitals, community centres and rural development projects. Last year, ONGC budgeted roughly Rs. 120 crore of its Rs. 15,643 crore profits during the FY 2006-07 on social and environmental project. One such project is the life care society in Dehradun founded by ex-ONGC executives and partially supported by ONGC provides health to 16,000 villagers around Dehradun.

The company is also working hard to reduce its environmental foot print, since oil production and ecological problems go hand in hand. The company operates 11 institute for research in cleaner drilling technology and for training its personnel and sensitising them to environment issues. For corporate governance the ONGC has an anti-corruption pact to supervise its procurement operations with global governance watch dag transparently international. It is also part of the UN’s global compact initiative.

Conclusion

CSR is a concept that is theoretically and basically meaningless to practice unless it is applied in some organisational work related contexts. Examining how organisations are interpreting and applying CSR helps us to see how it is implemented and to what extent its application is producing desirable outcomes. Basically, CSR is a process that requires true commitment, diligence and constant monitoring to ensure success. Of course, just wearing the CSR badge does not necessarily mean that an organisation is responsible. Some organisations use being responsible simply as marketing ploy. But saying a company is
green and actually being green are world’s apart. Putting a recycle symbol on a plastic package that is twice the size of the product inside is irresponsible as doing nothing after claiming something. CSR is a process not a position, the doing and not the achieving and the constant passion is to be socially responsible and financially successful.

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