

# CORPORATE SOCIAL RESPONSIBILITY : ETHICAL COMMITMENT BY BUSINESS

P.C. Padhy\*

prabirchandrapadhy@yahoo.co.in

## ABSTRACT

India began with mixed economy consisting of state owned public sector & private sector subject to industrial licensing & many administrative controls on imports, foreign exchange etc. From 1950 to 1990, the economy grew at only 3.5% p.a. But Indian economy has witnessed a high growth path of 8% in 21st Century. But on the other hand inflation rose above 12% which affect the poor more. Sustained inclusive growth requires an optional blend of three sets of Actors & their respective responsibilities. The first is Government Social Responsibilities and the initiatives taken by government. The second is Corporate Social Responsibilities (CSR) which includes providing customer value, shareholder returns and employee satisfaction. The next call is for personal social responsibility which requires that every citizen above the poverty line must take his own responsibilities. This paper deals with the second things. Since business creates much of wealth & well being in the society CSR has gained to get attention from very long time. CSR has become crucial due to the fact that it influences all aspect of business as well as the society.

## INTRODUCTION

CSR refers to a company's obligations to act to protect and improve society's welfare as well as its own interest. However there is a range of number of definitions of CSR.

World Business Council for Sustainable Development defines CSR as, "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 or the local community and society at large".

The European Commission definition of CSR is : "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Aaronson defined CSR as, "The business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment around the world.

Today the concept of CSR has undergone radical change. It has integrated social as well as environmental issues into their mission and decisions.

Companies take keen interest in informing about their CSR activities to their stakeholders as well. Across the globe business enterprises have undertaken CSR initiatives in the areas of water conservation, healthcare, rural welfare, environment protection, poverty alleviation, education, community investment project, culture and heritage, bio-diversity, disaster management and relief, culture and heritage, green environment, product responsibility, governance, waste management and gender quality.

## HISTORICAL DEVELOPMENT OF THE CSR CONCEPT:

The definitions show that the concept of CSR is not new; business has always had social, economic and environmental impacts, been concerned with stakeholders and dealt with regulations. The patterns of CSR are established over many years. The context in which business operates is changing rapidly due to globalization. New stakeholders and different national legislations are putting new expectations on business, changing the balance of social environmental and economic impacts in decision making.

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\* Assistant Professor, Dhaneswar Rath Institute of Engineering and Management Studies, Cuttack (Odisha)

**Table 1.1**

Definition Source	Definition	Dimensions
World Business Council for Sustainable Development, 1999	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life	Stakeholder, social, Economic
World Business Council for Sustainable Development, 2000	Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large	Voluntaries, Stakeholder, Social, Economic
Commission of the European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations with their stakeholders on a voluntary basis and in their interaction	Voluntaries, Stakeholder, Social, environmental, Economic

**WHY CSR?**

Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of the different interest groups. The interest groups may be owners, investors, employees, consumers, government and society or community. But the question arises, why the business should come forward and be responsible toward and be responsible towards these interest groups.

- **PUBLIC IMAGE:**

The activities of business towards the welfare of the society earn goodwill and reputation for the

business. The earnings of business also depend upon the public image of its activities. People prefer to buy products of a company that engages itself in various social welfare programmes. Again, good public image also attracts honest and competent employees to work with such employers.

- **GOVERNMENT REGULATION:**

To avoid government regulations businessmen should discharge their duties voluntarily. For example, if any business firm pollutes the environment it will naturally come under strict government regulation, which may ultimate force the

firms to close down its business. Instead, the business firm should engage itself in maintaining a pollution free environment.<sup>2</sup>

• **SURVIVAL AND GROWTH:**

Every business is a part of the society. So for its survival and growth, support from the society is very much essential. Business utilizes the available resources like power, water, land, roads, etc. of the society. So it should be the responsibility of every business to spend a part of its profit for the welfare of the society.

• **EMPLOYEE SATISFACTION:**

Besides getting good salary and working in a healthy atmosphere, employees also expect other facilities like proper accommodation, transportation, education and training. The employers should try to fulfill all the expectation of the employees because employee satisfaction is directly related to productivity and it is also required for the long term prosperity of the organization. For example, if business spends money on training of the employees, it will have more efficient people to work and thus, earn more profit.

• **CONSUMER AWARENESS:**

Now a day's consumers have become very conscious about their rights. They protest against the supply of inferior and harmful products by forming different groups. This has made it obligatory for the business to protect the interest of the consumers by providing quality products at the most competitive price.

**IMPORTANT DIMENSIONS OF CSR :**

The term CSR came into use around 1970's. The increasing awareness about the role of industries towards environment and associated problems brought about a gradual change in the attitude of business houses making them more responsible towards society. Sixty five percent of the top hundred companies in the world employ some sort of corporate social responsibility statement featured on their websites (Holcomb et al., 2007). Large companies have often been criticized for being the main culprits in releasing green house gas emissions, climate change, environmental degradation and unfair treatment of employees. Due to such criticisms and negative publicity, many businesses are focusing upon CSR.

The different dimensions of CSR are mentioned in the following table.

**Table 1.2 Dimensions of CSR**

Dimensions	Refers to
The environmental dimension	The conservation of natural environment
The social dimension	The relationship between Business and Society
The economic dimension	Social-economic or financial aspects, including describing CSR in terms of 'business operations'
The stakeholder dimension	Stakeholders or stakeholder groups
The voluntaries dimension	Actions not prescribed by law

Stivers (1976) was one of the first who mentioned the importance of environmental component during business development process, claiming that a company must act 'consistent with the ecological system'.

**CORPORATE SOCIAL RESPONSIBILITY IN INDIA:**

A number of recent surveys have been

conducted in India to understand what Corporate Social Responsibility (CSR) means in the Indian context, what the expectations of different stakeholders are and the drivers and barriers facing companies. It traces back the history of CSR in India and suggests that there are four models.

1. *Ethical Model by Mahatma Gandhi* : The 'ethical model' as suggested by Mahatma Gandhi, where

companies voluntarily committed to public welfare and participated in nation building.

2. *Statist Model by Jawaharlal Nehru* : Then followed the 'statist model' post India's independence propounded by Jawaharlal Nehru. This model calls for state ownership and legal requirements of CSR.
3. *Liberal Model by Milton Friedman*: The 'liberal model' by Milton Friedman talks about CSR being limited to private owners of shareholders.
4. *Stakeholders Model by R. Edward Freeman*: And the latest is the 'stakeholders model' championed by R. Edward Freeman, which call for companies to respond to all stakeholders needs.

#### **SOME CASES OF CSR INITIATIVES IN INDIA:**

##### **Tata Consultancy Services:**

The adult literacy program was conceived and set up by Dr. F.C. Kolhi along with prof. P.N. Murthy and prof. Keshav Nori of Tata Consultancy Services in May 2000 to address the problem of illiteracy. The Adult Literacy program believes literacy is a major social concern affecting a third of the Indian population comprising old and young adults. To accelerate the rate of learning, it uses a TCS designed computer based functional literacy method an innovative teaching strategy that uses multimedia software to teach adults to read within about 40 learning hours.

##### **Infosys Technologies Limited:**

Infosys is actively involved in various community development programs. Infosys promoted, in 1996 the Infosys foundation as a not for profit trust to which it contributes up to 1% profit after tax every year. Additionally the Education & Research Development at Infosys also works with employee volunteers on community development project.

##### **CII & the TVS Group:**

Confederation of Indian Industry and the TVS Group collaborated to form the CII TVS Centre of Excellence for responsive corporate citizenship in 2007. It provides consultancy services and technical assistance on social development & CSR.

##### **Larsen & Toubro Ltd (L & T)**

L & T address social issues of health and environment with the same professional vigour that it adopts for business issues. L&T believes in the merits of detailed analysis, planning, implementation and evaluation of results. Broadly its CSR covers

health, safety, environment and education surrounding its establishments.

##### **Oil and Natural Gas Corporation Ltd. (ONGC)**

ONGC as a responsible corporate citizen is focused on promotion of vocational education, health care & entrepreneurship in the community coupled with initiatives in water management and disaster relief in the country. In recognition of these initiatives, the world council of corporate governance conferred the Golden Peacock Award to ONGC for 'Corporate Social Responsibility in Emerging Economies 2006' at the 7th International Conference on CSR' held in May 2006 in London.

##### **CONCLUSION:**

CSR has become increasingly important to companies over the last few years, with more and more companies responding to stakeholders calls for increased accountability by incorporating and integrating CSR into their organization policies.

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