Responsibilities of Corporates Towards Society

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ABSTRACT: The objective of this article is to introduce the idea of corporate responsibilities towards the society. In this article the secondary data is used to show how a business firm is more than an economic institution. A business must work beyond the narrow goal of profit making and should operate in the overall interest of society. Today Corporate social Responsibility (CSR) is one of the newest management strategies where companies try to create a positive impact on society while doing business. Among other countries India has one of the most richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. As the corporate social responsibilities movement grew many companies pledged to improve their social and environmental performance based on csr. Basically csr of business implies that businessmen must consider public interest while taking business decisions and actions.

KEYWORDS: Corporate social responsibility, Responsibility, Companies act, Csr policy, Corporates

I. INTRODUCTION

A business cannot ignore the society it refers to what business does over and above the statutory requirement for the benefit of the society. CSR emphasizes that business has some moral obligations towards the society. In terms of the Howard Bowen “ Social responsibilities refers to the obligation to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society “. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Today modern business is large and complex catering to the national and even global markets. It exercise a definite and extensive influence on our economic and social life styles.

II. CONCEPT OF CSR

The concept of CSR is first came up in 1953 when it bring in academic topic in H R Bowen’s “Social Responsibilities of Business “ since then the concept of csr is continuous a debatable topic after its implementation. One of the most contemporary definitions is from the World Bank Group, stating, “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development”. Corporate social responsibility also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business or corporate social performance(SRB) is a form of corporate self regulation integrated into a business model. CSR needs a proper step by step procedure to follow Andrew(1980) has developed a four questions strategy. His four key questions suggest the approach that company may follow in determining the level of CSR activity. These four questions are as follows :-

1. Determining Organizational Competencies: what can we do?
2. Looking at Industry threats and opportunities: what might we do?
3. Examining the values of key implementers: what do we want to do?
4. Determining the social responsibility: what ought we to be doing?

By finding out answers to these questions managerial decisions can be molded towards serving a strategic need. This means CSR in practical terms is an ongoing process, constantly monitoring the environment and inter and intra firm relationships. The concept of csr means the obligation of a business towards different group of society which are as discussed below :-
RESPONSIBILITY TOWARDS SOCIETY: Every business owes an obligation to the society at large. The specific responsibilities of business towards society are discussed below:

IMPROVEMENT OF LOCAL ENVIRONMENT: A good organization develops the well-being surroundings for its workers and the general public. Management has to take the responsibility to provide the healthy environment conditions. It should take the preventive measures against water and air pollution and also contribute to the community development activities.

CREATES EMPLOYMENT: It is the responsibility of a management to provide the employment opportunities in the area where it is functioning.

BEST UTILISATION OF RESOURCES: All the resources used by the organization belong to the society. Management should also consider the best possible utilisation of the resources such as capital, raw material, machines and technology used by the organization.

RESPONSIBILITY TOWARDS WORKERS: Workers manpower is backbone of any corporate and the management should treat the workers as the human beings and their cooperation must be achieved for the accomplishment of the organization objectives. The management should fulfill the following obligations toward its employees:

PROVIDE ADEQUATE SERVICE BENEFITS: Workers should provide the service benefits such as the housing facilities, medical benefits, insurance cover and retirement benefits. These benefits help them to feel secure in the organization.

RECOGNISE THE WORKERS PARTICIPATION: The organization should recognize the participation of the workers in their decision-making process regarding their fair wages, easy meeting of their superiors for working or personnel related problems.

PROVIDE OPPORTUNITY FOR GROWTH: The management should help the workers by providing training and other means to improve their skills, educations and enjoyment of freedom to the greatest possible extent.

RESPONSIBILITY TOWARDS CUSTOMERS: Providing customers satisfaction is the ultimate aim of all the economic activities. Customers is the king who are responsible to create the goodwill of the organization. Poor quality, failure to give measures, lack of services, misleading of dishonest advertising are some of the examples of violation by business of its obligations towards the customers of its products. It is the duty of the management to take care of the following points:

PROVIDE RIGHT INFORMATION: The management should ensure that advertisement and statement issued by the business are true and fair.

REGULAR FLOW OF GOODS: Customers always attracted to that part of business who makes goods of the right quality available to the right people at the right time and place at reasonable price.

COURTEOUS SERVICE: The business should provide the adequate and courteous service to customers, and handle their grievances carefully.

RESPONSIBILITY TOWARDS SHAREHOLDERS AND OWNERS: There is a separation of ownership and management in case of joint stock companies. The management or the directors of the company are responsible for safeguarding the interest of the shareholders. But in case of sole trader shop and partnership concerns, the owners can look after their interest themselves:

UPDATE INFORMATION: It is the responsibility of the management to keep the shareholders well informed about the update information related to the company progress and its financial position. These information helps in taking the decision or making the strategy for future.

REASONABLE DIVIDEND: Shareholders expect the high rate of dividend on the money invested by them and also the maximization of the value of their investment in the company.
FINANCIAL POSITION: It is the responsibility of the management to see that financial position of the company is sound and the company always looking for the growth. Funds are the backbone of the company, utilization of funds should be careful.

III CORPORATE SOCIAL RESPONSIBILITY IN INDIA

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry’s draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India. The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

List of activities under schedule VII

- Promotion of Education
- Reducing child mortality and improving maternal health
- Gender Equity and Women Empowerment
- Contribution to prime minister relief fund and other states fund
- Employment enhancing vocational skills
- Social Business Projects
- Eradication of Extreme hunger and poverty
- Social Business Projects

The CSR committee will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities. The CSR committee can also ensure that all the kinds of income accrued to the company by way of CSR activities should be credited back to the community or CSR corpus.

IV. REPORTING

The new Act requires that the board of the company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose its contents in their report and also publish the details on the company’s official website, if any, in such manner as may be prescribed. If the company fails to spend the prescribed amount, the board, in its report, shall specify the reasons. Role of the board and the CSR committee

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Social responsibility means sustaining the equilibrium between the two. It pertains not only to business organizations but also to everyone whose any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

IV A REPORT OF TATA GROUP OF INDIA

Clause No. 10 of Tata Group
“A Tata Company shall be committed to be a good corporate citizen not only in compliance with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of making them self reliant. Such social responsibility would comprises, to initiate and support community initiatives in the field of community health and family welfare, water management, vocational training, education and literacy and encourage application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities. The company would also not treat these activities as optional ones but would strive to incorporate them as integral part of its business plan. The company would also encourage volunteering amongst its employees and help them to work in the communities. Tata companies are encouraged to develop social accounting systems and to carry out social audit of their operations.”

Tata Steel’s CSR Policy
“Tata Steel believes that the primary purpose of a business is to improve the quality of life of people. Tata Steel will volunteer its resources, to the extent it can reasonably afford, to sustain and improve the quality of life of the people of the areas in which it operates”. Tata Steel’s commitment to its corporate social responsibility (CSR) also finds reflection in its adoption of the Corporate Citizenship Index, Tata Business Excellence Model and the Tata Index for Sustainable Development. Tata Steel spends 5-7 per cent of its profit after tax on several CSR initiatives. Broadly speaking, the company’s CSR initiatives are spread across three core areas - employee welfare, the environment and the welfare of the community at large.

(a) Supports Social Welfare Organisations: To achieve its desired objectives in this regard, Tata Steel supports various social welfare organisations. They include the Tata Steel Rural Development Society, Tribal Cultural Society, Tata Steel Foundation for Family Initiatives, National Association for the Blind, Shishu Niketan, School of Hope, Centre for Hearing Impaired Children and the Indian Red Cross Society, East Singhbhum. Tata Steel has hosted 12 Lifeline Expresses in association with the Ministry of Railways, Impact India Foundation and the Government of Jharkhand. It has served over 50,000 people. Five thousand people have availed of surgical facilities and over 1,000 people received aids and appliances.

(b) Self-Help Groups (SHG’s): The National Horticulture Mission programme that has been taken up in collaboration with the Government of Jharkhand has already benefited more than a thousand households. Over 500 self-help groups are currently operating under various poverty alleviation programmes. Of this, over 200 are engaged in activities of income generation thorough micro enterprises. Women’s empowerment programmes through Self-Help Groups have been extended to 700 villages.

(c) Healthcare Projects: Other CSR activities of Tata Steel include facilitation of child education, immunization and childcare, plantation activities, creation of awareness of AIDS, healthcare projects and promotion of sporting activities such as football and archery. In its 100th year, the Tata Steel Centenary Project has just been announced.
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(d) Economic Empowerment: A programme aimed at economic empowerment through improvised agriculture will be taken up in three backward tribal blocks in Jharkhand, Orissa and Chhattisgarh. A corpus of Rs 100 crore has been earmarked for the purpose and the programme is expected to benefit 40,000 tribal living in over 400 villages in these three States.

V. CONCLUSION

CSR is an important issue in today’s business environment and it should be viewed as a process not as a destination. Basically CSR is the relation between the society and the business without which the mutual understanding between the society and the business not possible and it will affect the business environment. Over the last five years, efforts have been made to strengthen the CSR movement through rigorous processes of standardizing, reporting, and auditing social and environmental performance. Yet, progress is limited by the reality that CSR remains a purely voluntary, self-regulated movement. CSR are important to and even expected by the public, it helps organization hire and retains the people, its activities contribute to the business performance. Corporate Social Responsibility (CSR) has assumed a new meaning in today’s world, given that it has extended the boundaries of the firm into the society.

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