Contribution of CSR to the Society

Dr.B.Neeraja

Associate Professor, Faculty of Management Studies,
Dr.MGR Educational and Research Institute, Maduravoyal, Chennai- 95

Prof.Arti Chandani

Asst.Professor, Faculty of Management Studies, Symbiosis Institute of Management Studies, Pune

Abstract

A successful organization recognizes its responsibility, and duty towards its various stakeholders. Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. CSR covers wide range of areas such as community investment, workplace diversity and inclusivity, human rights and supply chain management, health and safety, environmental management and climate change, ethics, morality and integrity. CSR is now high priority for business houses. CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns. It is an opportunity for corporate to gain goodwill. This chapter discusses the importance of adopting CSR in current business environment and the regulatory regime controlling the CSR practices, whether in India or abroad supplemented by case studies and best practices.

Introduction

Corporate Social Responsibility (CSR) is a concept whereby companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities, and all other members of the public sphere. The basic premise is that when the corporations get bigger in size, apart from the economic responsibility of earning profits, there are many other responsibilities attached to them which are more of non-financial/social in nature. These are the expectations of the society from these corporate to give something in return to the society with whose explicit or implicit help these entities stand where they are. The Vedic philosophy of "Sarva loka hitam" i.e. ''the well-being of all stakeholders", has regained importance in the current business environment. The concept has evolved over the years and now used as strategy and a business opportunity to earn stakeholder goodwill. According to the World Business Council for Sustainable Development, 1999 "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large." 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. The main function of an enterprise is to create value through producing goods and services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation. However, new social and market pressures are gradually leading to a change in the values and in the horizon of business activity. Essentially, Corporate Social Responsibility is an inter-disciplinary subject in nature and encompasses in its fold: 1. Social, economic, ethical and moral responsibility of companies and managers, 2. Compliance with legal and voluntary requirements for business and professional practice, 3. Challenges posed by needs of the economy and socially disadvantaged groups, and 4. Management of corporate responsibility activities.

CSR is not Philanthropy Philanthropy means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective. Philanthropy can be equated with benevolence and charity for the poor and needy. Philanthropy can be any selfless giving towards any kind of social need that is not served, underserved, or perceived as unserved or underserved. Philanthropy can be by an individual or by a corporate. It is the active effort to promote human welfare. The term Corporate Social responsibility refers to the concept of business being accountable for how it manages the impact of its processes on stakeholders and takes responsibility for producing a positive effect on society. 290 PP-EGAS Corporate Social Responsibility on the other hand is about how a company aligns their values to social causes by including and collaborating with their investors, suppliers, employees, regulators and the society as a whole. The investment in CSR may be on people centric issues and/ or planet issues. A CSR initiative of a corporate is not a selfless act of giving; companies derive long-term benefits from the CSR initiatives and it is this enlightened self interest which is driving the CSR initiatives in companies. CSR is a contract with society it is the duty of company to undertake CSR activities because company and society are mutually interdependent on each other. No corporation in present world of globalization, liberalization can bear to have indifferent attitude towards the society, isolated existence is not possible. According to Sir Adrian Cadbury (2002) - "The broadest way of defining social responsibility is

to say that the continued existence of companies is based on an implied agreement between business and society. In effect, companies are licensed by society to provide the goods and services which society needs. The freedom of operation of companies is, therefore, dependent on their delivering whatever balance of economic and social benefits society currently expects of them. The problem for companies is that the balance of needs and benefits is continually changing and there is no generally accepted way of measuring those changes. To start with, companies are expected to meet society's demands for goods and services, to provide employment, to contribute to the exchequer, and to operate efficiently at a profit. There is no conflict between social responsibility and the obligation on companies to use scarce resources efficiently and to be profitable—an unprofitable business is a drain on society. The essence of the contract between society and business is that companies shall not pursue their immediate profit objectives at the expense of the long-term interests of the community.

The CSR activity that a company pursues must be aligned to the business of the company; this ensures that such CSR also contributes to the growth of the company on a wider scale. It is not about pursuing an activity of CEO's interest but should be relevant to company's business. CSR is a much more holistic approach to business, which is designed to enhance corporate success because of its relevance, rather than represent something unconnected to an organization's core business. This is a win-win model.

NESTLE -- Moga Milk Factory The Company started milk collection in Moga in 1961 with a collection of 511 Kgs of milk from 180 farmers. Nestlé Agricultural Services has used the experience gained by Nestlé across the world to set up a system of direct and efficient contact with the farmers. Company veterinarians and agronomists supervise the milk routes and advise farmers on various issues including proper feed for the herds. Milk storage facilities have 292 PP-EGAS been set up close to the farmers. Veterinary services are provided free, and medicines provided at wholesale cost. The company assists farmers in artificial insemination programs for their cattle, provides subsidy and helps them in procuring loans. By working very closely with the farmers of the Moga Milk District and local administrators, Nestlé has helped to raise the quality and hygiene of the milk produced there and improves the health and life style of the farmers and other residents. Its contribution to the creation of prosperity on an on-going and sustainable basis has not only transformed Moga into a prosperous and vibrant milk district today, but also a thriving hub of industrial activity.

ITC -- " e-Choupal" ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived eChoupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. e-Choupal' model unshackles the potential of Indian farmer who has been trapped in a vicious cycle of low risk taking ability - low investment - low productivity - weak market orientation - low value addition - low margin - low risk taking ability. This made him and Indian agribusiness sector globally uncompetitive, despite rich & abundant natural resources. 'e-Choupal' leverages Information Technology to virtually cluster all the value chain participants, Real-time information and customised knowledge provided by 'e-Choupal' enhance the ability of farmers to take decisions and align their farm output with market demand and secure quality & productivity. The aggregation of the demand for farm inputs from individual farmers gives them access to high quality inputs from established and reputed manufacturers at fair prices. As a direct marketing channel, virtually linked to the 'mandi' system for price discovery, 'e-Choupal' eliminates wasteful intermediation and multiple handling. Thereby it significantly reduces transaction costs. Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet-based interventions in rural India. 'e-Choupal' services today reach out to over 4 million farmers growing a range of crops - soya bean, coffee, wheat, rice, pulses, and shrimp - in over 40,000 villages through 6500 kiosks across ten states (Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerela and Tamil Nadu).

Corporate Social Responsibility Voluntary Guidelines, 2009 provides that each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board. The CSR Policy should normally cover following core elements:

1. Care for all Stakeholders: The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2. Respect for Environment: Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

3. Respect for Workers' Rights and Welfare: Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-

discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment. 4. Activities for Social and Inclusive Development: Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

An effective CSR policy may include: ► Vision: The CSR vision of the company should be such that it defines the purpose of the company's CSR initiatives; and defines the company's CSR goal. The CSR vision should be well aligned to the business goals so that it benefits the company as well. ► Implementation: → Identification of thrust areas → Identification of manner and nature of projects/activities → Defining measurable targets & time frame for the activities → Performance Management: Quality and standard of the work to be maintained → Organisational Mechanism & Assigning responsibilities for due performance of the CSR Projects → Manner of Delivering CSR: Foundation/ Partnership with Non Government Organisation/ Participation of Employees ► Fund Resources: Budget Allocation and its utilization ► Medium of Dissemination of information on CSR ► Management Commitment Channeling CSR Activities Voluntary Guidelines on Corporate Social Responsibility, 2009 provide that Companies may partner with local authorities, business associations and civil society/non- government organizations. CSR involves both internal as well as external stake holders. Internal stakeholder include the employees of the company, whereas, external stakeholders include community & environment, customers, vendors, shareholders, government. To carry out CSR effectively, it is essential that it has to be driven from top. So leadership is very important in all CSR activities and it is the need of the hour to develop next generation of globally responsible leaders. The implementation methodologies that companies can adopt for execution of their CSR initiatives can either be by imbibing them in day to day operations within the company or through foundation/ Trust route by 294 PP-EGAS allocating the funds to a separate entity with clearly stated objectives or by partnering with various Nongovernmental Organizations.

CORPORATE CITIZENSHIP - BEYOND THE MANDATE OF LAW The laws in India takes care of the basic CSR through various legislations under labour laws such as Factories Act, 1948, ESI Act, 1948, Employees Compensation Act, 1923, Contract Labour (Regulation and Abolition) Act, 1970, Equal Remuneration Act, 1976, The Minimum Wages Act, 1948, Employees' Provident Fund and Miscellaneous Provisions Act, 1952, environment protection laws such as The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986 The main object of the Factories Act, 1948 is to ensure adequate safety measures and to promote the health and welfare of the workers employed in factories. The Act also makes provisions regarding employment of women and young persons (including children and adolescents), annual leave with wages etc. The Employees' State Insurance Act, 1948 provides for certain benefits to employees in case of sickness, maternity and employment injury and also makes provisions for certain other matters in relation thereto. The Employees Compensation Act, 1923 is social security legislation. It imposes statutory liability upon an employer to discharge his moral obligation towards his employees when they suffer from physical disabilities and diseases during the course of employment in hazardous working conditions. The Act also seeks to help the dependents of the workmen rendered destitute by the 'accidents' and from the hardship arising out from such accidents. In 1972, the Department of Science and Technology set up a National Committee on Environmental Planning and Coordination to identify and investigate problems of preserving or improving the human environment and also to propose solutions for environmental problems. In 1977, by an amendment to the Constitution, Article 48A was introduced imposing a duty on the State to protect and improve the environment and safeguard the forests and wildlife of the country. Article 51A also, provides for the protection and improvement of the natural environment including forests, lakes, rivers and wild life and to have compassion for living creatures. The Water (Prevention and Control of Pollution) Act was enacted in 1974 and the Air (Prevention and Control of Pollution) Act was passed by the Union of India in 1981. In 1986, the Government enacted the Environment Protection Act to provide for the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property. However, over reliance on regulation can stifle corporate creativity and innovation. Corporate citizenship is a commitment to improve community well-being through voluntary business practices and contribution of corporate resources leading to sustainable growth. Corporate responsibility is achieved when a business adapts CSR well aligned to its business goals and meets or exceeds, the ethical, legal, commercial and public expectations that society has of business. The term corporate citizenship implies the behavior, which would maximize a company's positive impact and minimize the negative impact on its social and physical environment. It means moving from supply driven to more demand led strategies; keeping in mind the welfare of all stakeholders; more participatory approaches to working with communities; balancing the economic cost and `benefits with the social; and Lesson 13 Corporate Social Responsibility 301 finally dealing

with processes rather than structures. The ultimate goal is to establish dynamic relationship between the community, business and philanthropic activities so as to complement and supplement each other.

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