

# RELEVANCE OF CORPORATE SOCIAL RESPONSIBILITY IN THE PRESENT SCENARIO

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## Abstract

*In the globalised scenario, the corporate strive to maximize their profit at any cost by neglecting the social interest. They are not concerned about the harmful effect caused to the society. But now the situation has changed, no longer can firms continue to act as independent entities regardless of the interest of the general public. Companies are beginning to realize the fact that in order to gain strategic initiative and continued existence, business practice may have to be moulded from the normal practice of solely focusing on profit to factor that contributes to social responsibility. Corporate Social Responsibility (CSR) is the social commitment of corporate sector to behave ethically towards the society by upholding social values. This paper aims to understand the concept of CSR, identify the approaches to CSR and to study the relevance of CSR within the organisation and society.*

**Keywords:** *Corporate Social Responsibility, Economic Development, Relevance.*

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## I. Introduction

In spite of a real awakening, lack of understanding, inadequately trained personnel, non availability of specific and authentic data and lack of information on the type of corporate social responsibility activities have acted as barriers to know the effectiveness of corporate social responsibility activities in India. But an encouraging fact is that the situation is changing on a fast phase. Many corporates are recognizing the importance of corporate social responsibility activities and their measurement. They have understood the importance of community, health and environment in business. The government of India was trying to make statutory to spent at least 2% of the profits on corporate social responsibility activities. Due to strong criticism, this move was withdrawn. The spending is now voluntary. But the debate still exists. If the mandatory rule was still in play then the government would have defined corporate social responsibility in its own and the vagueness that exists today about the term would have gone.

## II. Objective

The objective of the paper is to understand the concept of CSR, to identify the relevance of CSR in the present scenario and to know the reasons for companies going for CSR.

## III. Corporate Social Responsibility – The Concept

Corporate social responsibility (CSR) is the responsibility recognized by the companies for acting in socially responsible manner. There is no single universally accepted definition of corporate social responsibility, it has generally come to mean business decision making linked to ethical values, legal compliance, and respect for people, community, and environment. CSR expects a company to go further than required by law so as to:

- Treat employees fairly and with respect
- Operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders and others
- Respect human rights
- Sustain the environment for future generations
- Be a responsible neighbor in the community and a good 'corporate citizen'.

The concept of corporate social responsibility has grown all over the world. It has emerged as a towering influence in modern corporate day activity. The slogan that business should realize its value through employee boosting, attracting staff, saving the planet etc has gained prominence than never before. The idea of corporate social responsibility is slowly replacing by corporate social compulsion and created shared value. Prominent management thinkers like Michael E Porter and Mark R Kramer along with industrialists and investors like Bill Gates and Warren Buffet support these views. They opined that creating shared activities should get precedence over corporate social responsibility activities. This is because corporate social responsibility activities focus more on building reputation and have less connection towards business making them hard to justify in the long run.

#### **IV. Nature of CSR**

##### **(i) Focus on business firms:**

Though both business and non-business organisations should be responsible towards society, the focus is more on business firms to look after social interests.

##### **(ii) Deals with moral issues:**

Companies have specific policies and programmes to look after interests of the employees and other stakeholders. These programmes are devised from the need to do what is right and just for the society as a whole.

##### **(iii) Commensurate with the objective of profit maximization:**

Social goals are discharged by economically sound organizations. A financially unviable enterprise cannot look after interests of the society. In fact, it may pass the costs of social responsibility to consumers by increasing prices of goods and services.

##### **(iv) Pervasive activity:**

Social responsibility is not just the obligation of top level managers. Managers at all levels are involved in social responsibilities.

##### **(v) Continuing activity:**

Social responsibility is not catering to the interests of society once or twice. It is important for organizations to continuously engage in social issues if they want to survive in the long-run. The economic and social issues, in fact, go hand in hand.

## V. Approaches to CSR

Ranging from lowest to highest degree of socially responsible practices, four approaches to social responsibility are discussed below:

### (i) Social obstruction:

Though few in number, firms which follow this approach do the least possible to solve social problems. They oppose the concept of social responsibility and do not consider the consequences of business decisions on social environment.

### (ii) Social obligation:

Though a step ahead of social obstruction, socially obliged firms discharge social responsibility to the extent that avoids government interference. The organisation does everything that is legally required of it. A cigarette manufacturing company, for example, prints 'Cigarette smoking is injurious to health' on the cigarette packets but despite the product being harmful for health, it does extensive research to promote its sale.

### (iii) Social response:

A step ahead of social obligation, firms perform legal, ethical and social obligations only if asked to do so. They do not seek socially responsible activities on their own. Donations to charitable institutions for a social cause is an example of social response. Companies make donations when they are approached by these institutions. It is, thus, discharging social responsibilities in response to demand.

### (iv) Social contribution:

Socially responsive firms which favour social responsibility follow the social contribution approach where they seek opportunities to perform activities that contribute to social goals. Granting scholarships and opening career counselling centres are the forms of social contribution approach to social responsibility. All these approaches are not distinct in nature. They lie on a single continuum. Firms may follow two or more approaches at different points of time.

## VI. Relevance of CSR within an Organization

It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR. The concept of corporate social responsibility is now firmly rooted on the global business agenda. Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;

- Workforce diversity;
- Product safety and decreased liability.

## VII. Relevance of CSR in Society

Social responsibility may sound like a moralistic term with little meaning for a pragmatic corporate; yet it is the bird word in corporate circles today. The corporation has been defined as a legal entity with unlimited life, limited liability and divisibility of ownership. Contemporary society expects that businesses operate within society, are dependent on society for getting their inputs as well as for marketing their goods and services. Therefore, in addition to providing goods and services, business needs to look after welfare of the various stakeholders.

- 1. Survival and Growth :** In recent times the concept of CSR has turn out to be a vital strategy for companies to survive in. A ruthless market environment. In today's environment where markets shift and consumers preferences become even more unpredictable and complex, CSR can become a powerful tool for survival and growth.
- 2. Enhanced Corporate Image and Reputation :** CSR activities of a business are aim towards the welfare of society and this help develop a positive image for the firm. Enhanced Goodwill and Reputation will, on the one hand attract better employees to join such firms, and on the other hand attracts more customers- people do prefer to patronize a firm because of its positive image in society.
- 3. Avoid government Regulation :** If firms discharges their duties voluntarily and responsibly, much government regulations can be avoided. A lot of legislation has been enacted with respect to waste management, air and water pollution. If a firm is proactive and incorporates environment-friendly practices voluntarily, it can save itself from the forced implementation of strict government regulation, which sometimes may pose the business to close down.
- 4. Change Consumer expectation :** Today's consumer have become more conscious about their rights and are also more demanding. They protest against supplier of harmful/inferior goods and services and other unethical practices of business.
- 5. Moral Responsibility :** Business is an integral part of society, dependent on it for getting its input as well as for marketing its goods and services. Therefore, business managers have a moral responsibility to protect the interests of society, and look after the welfare of their different stakeholders apart from providing goods and services.
- 6. Huge Resources :** Large organization have human talent and financial resources to solve societal problems, hence they should be socially responsive. They are also more efficient and ensure a business and result oriented approach towards social projects.
- 7. Attracts better human resources :** CSR is seen to be a great way to attract "good" talent and to retain them. Social initiatives are a good way to satisfy the emotional and social needs of employees by helping them contribute towards the good of society.

## VIII. Entities Covered by the CSR Obligations

The threshold coverage levels for CSR are low. Companies are subject to the CSR requirements if they have, for any financial year:

- a net worth of at least Rs. 5 billion (approximately U.S.\$80 million);
- a turnover of at least Rs. 10 billion (approximately U.S.\$160 million); or
- net profits of at least Rs. 50 million (approximately U.S. [\$800,000]).

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities and report on these activities, or prepare to explain why they didn't. It is estimated that a total of 8,000 companies in India would be required to meet the CSR requirements among the 9 lakh active companies in India and the 2% CSR expenditure would translate to companies' spending around Rs 12,000 crore to 15,000 crore annually.

## IX. Conclusion

In recent years CSR has become a fundamental business practice and has gained much attention from the management of large international companies. They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Although the prime goal of a company is to generate profit, companies can at the same time contribute to social and environmental objectives by integrating corporate social responsibility as a strategic investment into their business strategy. A number of companies with good social and environmental records indicate that CSR activities can result in a better performance and can generate more profit and growth.

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