

## A Conceptual Framework on Corporate Social Responsibility

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### Abstract

The purpose of this chapter is to introduce and provide an overview of the topic of corporate social responsibility (CSR). It is a concept where organisations consider the interests of the society by having the knowledge and responsibility of the force of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This requirement is seen to extend beyond the legal responsibility to comply with legislation and sees organizations freely taking more steps to enhance the quality of life for their employees and their families on the other side they are also doing community and society work in large scale. The Companies Act, 1956 is replaced with The Companies Act, 2013 and 'corporate social responsibilities' (CSR) has been made mandatory for a particular class of companies. There has to be an all inclusive growth of the society with the growth of the companies. Perhaps keeping this in mind, Indian law makers brought this law. In this paper CSR practices followed by different companies have been studied to understand the issues and challenges ahead. This paper try to analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR. The main focuses on the issue and challenges faced by its activities in India.

**KEYWORDS:** Corporate social responsibility, CSR, CSR practices, Mercer report.

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### INTRODUCTION

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away. CSR is an entry point for understanding a number of firm-related and societal issues and responding to them in a firm's business strategy. However, there is a universal and prominent view on protecting the environment and stakeholders' interests. Emerging economies like India have also witnessed a number of firms actively engaged in CSR activities, and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes

### Objectives of the Study

- To study the CSR status in India.
- To understand the meaning and various models of CSR.
- To study the policies governing CSR in India.
- To study the issues & challenges faced by CSR in India.

## **Research Methodology**

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

## **Scope of CSR**

Corporate social responsibility (CSR) aims to optimise the benefit to an enterprise's stakeholders and to prevent or dampen the potential adverse affects of its activities. CSR therefore covers a broad spectrum of issues that must be taken into account in business conduct. This includes working conditions, human rights, the environment, preventing corruption, corporate governance, gender equality, occupational integration, consumer interests and taxes.

### **1. Human Rights**

An enterprise's responsibility to respect human rights relates to internationally recognised human rights, particularly those of the United Nations. Human rights due diligence enables enterprises to identify any adverse effects resulting from its activities and in its value chain in good time and to prevent or reduce them. The shape it takes in practice depends above all on the size of the enterprise and on certain risk factors such as the region and sector.

### **2. Working Conditions**

By ensuring the best possible employment conditions based on the applicable statutory provisions and international labour standards, in particular those of the International Labour Organization, enterprises can play a role in creating high-quality jobs. This primarily concerns the granting of trade union rights, the abolition of child and forced labour and the elimination of employee discrimination (e.g. based on where they come from, their social background, skin colour, religion or political views). Constructive cooperation with social partners is also an important part of this.

### **3. The Environment**

Responsible environmental management aims to continuously improve an enterprise's impact on the environment. This includes a progressive internal environmental management system based on high standards, environmental due diligence, an environmentally friendly strategy with closed cycles, consistent reduction of greenhouse gas emissions and a contingency plan for reducing harmful effects on the environment.

### **4. Combating Corruption**

Corruption has an extremely harmful effect on democratic institutions, good corporate governance, investments and international competition. Enterprises can play a key role in combating corruption by introducing internal control mechanisms to avoid and expose it. It is also important to publish the policy on combating corruption supported by the management and to train employees.

## **5. Disclosing Information**

As part of a transparent reporting process, enterprises inform the public about their business activities and their effects in terms of the economy, society and the environment. The regular, timely and pertinent disclosure of information improves an enterprise's transparency and credibility. The reporting process also gains the trust of the enterprise's stakeholders (e.g. shareholders, financial institutions, employees and interest groups) and can facilitate access to capital.

## **6. Corporate Governance**

Good corporate governance involves striving towards transparency and a balanced ratio of management and control while protecting the decision-making power and efficiency at the topmost corporate level. These are underpinned by good accounting and reporting practices, supervision by the Board of Directors and respect for shareholder rights and the concerns of key stakeholders.

## **7. Consumer Interests**

For consumers, it has become increasingly difficult to compare products and services and to make informed decisions about purchases, particularly due to the increasing numbers of products on offer and the complexity of many markets. They are therefore reliant on enterprises adopting fair business and marketing practices and guaranteeing the safety and quality of their products and services. This involves providing accurate and clear product information, promoting sustainable consumption and taking customer concerns seriously.

## **8. Gender Equality**

As part of their activities, enterprises should be guided by the basic principle of gender equality in employment and, in this regard, should refrain from any discrimination towards their employees based on gender. Balancing work and family and equal pay are key corporate challenges.

## **9. Occupational Integration**

By identifying its employees' health issues early on and quickly taking the appropriate measures, enterprises can safeguard their staff's employability. This will reduce the number of people leaving the job market due to health problems as much as possible. Employees with a health problem should be supported throughout the reintegration process.

## **10. Taxes**

If an enterprise lawfully pays its taxes both in Switzerland and also on its overseas business transactions, it is contributing to public finances and to the development of its host countries. It also avoids putting its finances, reputation and supervision by authorities at risk. It is also important for enterprises to cooperate well with the competent authorities so that these can apply the relevant taxes.

## **Reasons for the Growth of CSR**

Some of the drivers pushing business towards CSR include:

### **1. The shrinking role of government**

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

## **2. Demands for greater disclosure**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

## **3. Increased customer interest**

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by **Environics International**, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

## **4. Growing investor pressure**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

## **5. Competitive labour markets**

Employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

## **6. Supplier relations**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

### **Benefit of Corporate Social Responsibility in Businesses:**

If the corporation or business want to be socially responsible it is not necessary that good business tactics make the business good in its practices. CSR has some effects that directly relates to economics of the company, they are customers, public relations, shareholders and employees. If it is applied into the business plan, Corporate Social Responsibility has some benefit which relates to companies.

**Getting the right to operate by stakeholders:** Some industries like mining industries requires a licence to operate because of some allegations of environmental factors that are to be get by certain authorities and as well as from the community, because there operation can effect the community near by .If this requirement is not fulfilled then they have to face some consequences in operating the industry.

**Brand value and its reputation:** Business values are important company`s social, ethical and environmental performance because of its globalization, mobility and advancement in customers and suppliers ideas in the competitive market, to develop themselves to compete with the competitors, by keeping in mind that Brand name is also growing and getting importance, as the main worth of any company is its brand name .

**Enhanced efficiency in Operations:** Corporate Social Responsibility plays a vital role in corporate sector with result in enhancing the efficiency in the operations of the company, e.g improving the efficiency in energy and natural resources, reducing the waste like

proper handling of waste materials. Better recruitment improves the business and its life style, that will result in less absentees from office and increase the employees performance which result in company`s saving for example companies that provide relaxing and free from stress environment to its employees will result in employee performance enhancement and increase in production line. There is a study conducted by some of the large employers (Medstat Group, American Productivity and quality Center, 2009) got an idea that if health services can be provided to employees of the company then their productivity and efficiency will increase towards that company and will decrease the amount employees getting absentees from work and production.

**Customer Satisfaction and Sales:** A research was done on corporate social responsibility regarding sale and customer satisfaction done by Millennium Poll (Millennium Poll, Dec 1999) that it interviewed approx 25000 people from near 23 countries which want to contribute to the society rather than only making profits by business have to first impress in need and wants of the customers by giving them quality, price, taste, and appearance and availability of their required product or services.

**To Attract and Preserve the quality of Employees performance:** A research done by a UK consulting firm Stanton Marris (Stanton Marris, research) from top most employees of 24 well known companies shows that employers status and reputation is very important when an individual accepts a job offer, and nearly six percent of employees suggest that company`s commitment is more important while looking for job in any field as a skill worker these are the essential part of job search.

### **Challenges of CSR**

#### **1. Need to Build Local Capacities**

There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

#### **2. Issues of Transparency**

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

#### **3. Non-availability of Well Organized Non-governmental Organizations**

It is also reported that there is non availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

#### **4. Visibility Factor**

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve

themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

#### **5. Narrow Perception towards CSR Initiatives**

Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

#### **6. Non-availability of Clear CSR Guidelines: give a definitive direction**

There are no clear cut statutory guidelines or policy directives to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

#### **Findings**

CSR policy functions as a built in self regulating mechanism whereby business monitors and ensures its active participation towards the society. The compliances fulfill the gap realized by the absorption of business benefits. The potential benefits of the business – the scale and nature vary depending on the nature of the enterprise, of the benefits of CSR for an organization can as a result it is difficult to quantify. Business solutions are often revealed with the smooth between social performance and functioning of the philanthropic means. The correlation financial performance often originates CSR. Corporate Philanthropy a result that creates the quality of the business charitable efforts to improve their competitive context along with environment. CSR moulds in creating a share value with the formula of corporate success with social welfare. CSR dimensions are formed under the foundation of Human capital, natural capital and the environment. It dimensions involve because of related marketing, promotion, socially responsible business practice, corporate philanthropy and corporate social marketing. The essence of CSR lays on the investing part of the profit beyond business for the larger good of the society.

#### **CONCLUSION**

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time. The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting and display public reporting due to pressures from various stakeholders. It is possible for companies to behave in the desired ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports. CSR is an entry point for understanding a number of firm-related and societal issues and responding to them in a firm's business strategy. However, there is a universal and prominent view on protecting the environment and stakeholders' interests. Emerging economies like India have also witnessed a number



of firms actively engaged in CSR activities, and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

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