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Corporate social responsibility: An instrument of purposeful and positive social change

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Abstract

Social has become increasingly aware of the interdependence between business and its environment. Business organisations are no longer viewed as totally private bodies free to pursue their own goals. Instead they are increasingly expected to contribute to the betterment of society. Managers are no longer considered to have responsibility only to the owners. Rather managers are increasingly held accountable for the social effects of their actions.

The scope of social responsibility of business is very wide. The responsibility is manifold and extends to all those who have stake in business. No business can survive without earning profits. Similarly, no business can earn profits in the long run without providing some useful service to society.

Keywords: business and society, corporate social responsibility, Indian business, social obligations, social responsiveness.

Introduction

The term social responsibility is defined in various ways. Some people define it as the responsibility of business to perform its basic economic function of producing and supplying products and services in the most efficient manner so as to maximise profits. Others define it as the obligation to consider the interests of society while performing its economic function. Still others view it as the philanthropic and charitable activities to promote education, health, employment, rural development and other social causes.

In fact, social responsibility implies responsibility to society beyond the basic economic responsibility of efficiency and profitability. As an economic agent of society, a business enterprise must use its economic power to protect and promote public interest and social values.

Social responsibility transcends legal obligations and it is on a voluntary basis for the genuine benefit of the society. In the words of Drucker, "Social responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony". The concept of 'Social Responsibility' needs to be differentiated from social obligations and social responsiveness. Social obligations imply the typical activities of an organisation directed in response to market forces and internal aspirations. Such behaviour has been criticised as being too narrow and insufficient for the long-term success and survival of most organisations. Social responsibility is much broader as it requires an organisation to meet the expectations, norms and values of the society. Social responsibility relates to current issues whereas 'social responsiveness' is anticipatory in nature. A socially responsive organisation is expected to anticipate changing or emerging social problems and respond to them. According to Keith Davis, "Social responsibility is the obligation of the decision makers to take decisions which protect and improve the welfare of the society as a whole along with their own interests." Every manager owes an obligation to make the

public good the private good of the enterprise. Andrews has given a broader view when he observes "by social responsibility, we mean the intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contribution to human betterment, variously as the latter may be defined".

Key Drivers for Corporate Social Responsibility

One of the most revolutionary changes in capitalism over the last 50 years has been the development of 'conscience'. Private business, which is the hard core of this economic system, has realised and has been made to realise by several social, economic and political forces, that has social obligations to fulfil, besides ensuring its own existence through profitable activity. There is no denying the fact that part of this realisation is not genuine and takes the form of mere lip service which is thought necessary to ensure the survival of private enterprise. But it cannot be denied also that private business does partly realise and recognise the hard reality that a privately-owned firm cannot meet the challenge of socialism and allied doctrines unless it sets its house in order, changes its outlook and is prepared to play its legitimate role as an organ of society. It will be useful here to go into some of the forces and factors which have persuaded businessmen to consider their responsibilities and the conditions which were favourable to the development of businessmen's concern with social responsibilities. Some of the more important among them are:

- The threat of public regulation of private ownership.
- The pressure of the labour movement.
- The development of moral values and social standards applicable to businessmen.
- The development of business education and contacts with the government and its problems.
- Recognition of human factors contributing to the long-term interests of business.

- The development of a professional managerial class with a different motivation and point of view due to the separation of ownership from management in the corporate enterprise.
- The increased complexity of the decision-making processes in which many persons participate and in which various points of view and diverse interests are expressed.
- The change in public opinion about the role of business in modern society.

These and a number of other social, ethical and economic forces have combined together to make business a socio-economic activity. Business is no longer a mere occupation, it is an economic institution operating, in social environment, an institution that has to reconcile its short-term and long term economic interests with the demands of the society in which it functions. Essentially, it is this which gives rise to the general and specific social responsibilities of business.

Profit Motive and Social Responsibility

There is an impression that profit motive and social responsibility are inherently contradictory to each other. This is far from being true. Economic goals and social responsibilities of business are complementary to each other and reinforce each other. Business firms are primarily economic institutions and if they fail to earn profits, they will not survive for long. Successful economic activity is thus a firm's social relevance. Profit, the main economic goal, serves as a stimulant to hard work, initiative and risk-taking. It is an overall measure of the social contribution of business through its economic performance. As enterprise that earns economic surplus improves its capability to serve the society. Thus, profit contributes to public interest and social welfare.

Similarly, social responsibilities of business contribute to the economic viability and performance of business enterprises. In the short run, expenditure on social action programmes may reduce the amount of profit. But in the long run such expenditure improves the socio-economic environment of business. For instance, when a business enterprise contributes to the education and health of the community, it can get more competent and healthy employees. Similarly, by contributing to the well-being of people, a business enterprise can enlarge the market for its products and services. Thus, there is no inherent conflict between profit motive and social responsibility of business.

Scope of Social Responsibilities of Business

The scope of social responsibilities of business is very wide. The responsibility is manifold and extends to all those who have a stake in business. To be specific, the management of a business enterprise is responsible to: (a) the inside group consisting of shareholders and employees; and (b) the outside group comprising customers, suppliers, government and the community in general. These internal and external responsibilities of business are explained below:

1. Responsibility towards Shareholders

- a. A fair and reasonable return on investment;
- b. Safety of investment;
- c. Steady appreciation of investment; and
- d. Regular, accurate and full information about the working and progress of the company.

2. Responsibility towards Employees

- a. Fair wages and salaries;
- b. Good and safe working conditions with job security;
- c. Adequate service benefits such as housing, medical facilities, insurance cover, retirement benefits;
- d. Recognition of workers' rights to form trade unions, to collective bargaining and strike;
- e. Opportunities for education, training and promotion;
- f. Workers' participation in decision-making; and
- g. Religious, social and political freedom.

3. Responsibility to Customers:

- a. Regular supply of right quality goods at right time and right place;
- b. Charge reasonable prices;
- c. Supply goods that meet the needs of different classes and tastes with different purchasing power;
- d. Prompt, adequate and continuous services;
- e. Prompt redressal of customer's grievances;
- f. True and fair information through advertisements;
- g. Avoid unfair and unethical practices like adulteration, hoarding and black-marketing; and
- h. Fair and wide distribution of goods and services among all sections of consumers.

4. Responsibility towards Government:

- a. To abide by the laws of the land;
- b. To pay taxes honestly and in time;
- c. To avoid corrupting public servants;
- d. To encourage fair trade practices; and
- e. To avoid monopoly and concentration of economic power.

5. Responsibility towards Community:

- a. To make the best possible or efficient use of the society's resources;
- b. To provide maximum possible employment opportunities;
- c. To keep the environment healthy and free from all types of pollution;
- d. To contribute to the upliftment of the weaker sections of society;
- e. To refrain from indulging in anti-social and unethical practices;
- f. To improve public health, education and cultural life of the community;
- g. To promote development of backward areas and cottage, village and small scale industries;
- h. To provide relief to victims of natural calamities;
- i. To contribute to social causes like AIDS control, population control, etc.; and
- j. To contribute to overall development of the locality.

Corporate Social Responsibility in India: Present Status

In India, business by and large does not enjoy a good public image. A few leading business houses have made significant contributions to the economic and social well-being of the country. But instances of adulteration, hoarding, black-marketing, Exploitation of workers, tax evasion, and other anti-social practices are very common. In order to ensure freedom of enterprise, businessmen need to be more responsible towards the

Society. The Government industrial policy states that if industry acquires an increasing sense of social responsibility, government can concentrate more on measures to help industry rather than to control it. In a mixed economy like ours, social responsibilities of business assume special significance. The main aspects of social responsibilities of Indian business are as follows:

1. To make the best use of national resources so as to raise the level of national income and standard of living of the people.
2. To create more and more employment opportunities for engineers, technicians and other skilled persons from educational institutions.
3. To protect the national environment and ecological balance from all types of pollution.
4. To contribute to the economic development of backward regions and weaker sections of society.
5. To recognise and respect social values, business ethics and cultural heritage.
6. To cooperate with the Government in solving problems like communalism, illiteracy, over-population, concentration of income and wealth, monopoly, etc.
7. To make the country economically self-reliant through export promotion and import substitution.

The status of Corporate Social Responsibility in India based on findings of a survey of 647 companies commissioned by Partners in Change/Action aid and conducted by SRI/IMRB reveals that

- About 36 percent of companies surveyed had some sort of a policy on supporting social development.
- Only 7 percent of the companies surveyed had a written policy.
- Of those having a written policy, as many as 86 percent were supporting activities.
- Almost 60 percent of companies with a policy had a person or department responsible for implementation.
- Of the companies surveyed, 46 percent were involved in development activities. These companies were mostly large and old companies.
- Over 80 percent of companies were working with NGOs, of which Rotary and Lions Clubs received the largest mention. This means the NGOs still have a minor mention in corporate social development initiative.
- Cash donation was overwhelmingly the most preferred form of support.
- Companies with a policy were significantly large providers.

Constraints in the Way

Managers must clearly recognise and understand the inevitable constraints on the acceptance of social responsibility. These constraints are as follows:

1. While assuming social responsibility, a business enterprise must ensure its profitability and viability. A losing or a non-viable enterprise cannot discharge its social responsibilities successfully. Socially responsible behaviour should not endanger the economic survival. This does not imply that the enterprise should be maintained between social responsibility and economic viability.
2. In the pursuit of social responsibilities, management should confine itself to the areas of its competence. If managers try to deal with social action programmes in which they,

lack competence, serious damage may be caused to their organisations.

3. Socially responsible behaviour should be confined to the areas in which management has legitimate authority. Otherwise, social action may result in usurpation of authority. Indiscriminate social responsibility may amount to undue corporate authority unacceptable to society. Business management should not encroach upon the authority of Government and other social institutions.
4. Social responsibility should be balanced with the socio-economic power of business. A large enterprise or an enterprise supplying drugs. For example, has greater responsibility than a small enterprise or an enterprise supplying ball pens.
5. The concept of social responsibility is reciprocal. Just as business owes responsibility to various interest groups, these groups owe responsibility to support and assist business.
6. Before undertaking any social action programme, management should conduct a social cost-benefit analysis. There is no use carrying out programmes whose social costs exceed social benefits.

Five Prepositions for Social Responsibility

The main problem which managers face in the area of social responsibility is the targets and guidelines which they should follow in meeting social obligations. Keith Davis has laid down the following guidelines:

1. Social responsibility arises from social power: Decision of businessmen have social consequences. Unless they assume the responsibility for these consequences, they will lose the power of decision-making.
2. Open disclosure of operations and open receipt of inputs from society are essential: Social responsibility requires that managers should let the public know what they are doing. They must also be sensitive to what is going on in society.
3. Social costs as well as technical feasibility and economic profitability should be taken into account in deciding what to proceed within any given activity, product or service. A cost-benefit analysis should be undertaken in which social costs should be included.
4. Social costs should be included in the ultimate price of the product or service. In general, the consumer should pay, for his or her consumption including social costs.
5. Managers and non-managers have responsibility for social involvement in their areas of competence. When there is improvement in society, all members of the society benefit. Therefore, they should all contribute their talents to help solve social problems.

Strategies for Social Responsibility

The following steps may be taken to make the Indian business discharge its social responsibilities:

1. **Legislative Measures:** The Companies Act may be amended to make the following provisions:
 - a. Social responsibilities clause to be specified by every big company in its Memorandum of Association;
 - b. Representation of social groups on the Board of Directors and annual general meeting of a company;

- c. Social audit to judge the contribution of a company towards social welfare.
2. **Voluntary Measures:** Law alone cannot make businessmen socially responsible. The following voluntary measures may also be adopted for this purpose:
 - a. Shareholders should form their associations to exercise effective control over company managements;
 - b. Consumers should form their association to force businessmen discharge their obligations;
 - c. Trade associations and chambers of commerce should exercise effective control to prevent anti-social practices among businessmen;
 - d. Business enterprises should develop an organisational culture conducive to the assumption and discharging of social responsibilities. Hence,
 - No action should be taken to erode the profit motive of business.
 - Business should focus on long-term interests not on short-term profits while taking social action.
 - There is no readymade formula for socially responsible decisions. An organisation will be guided by the values of its top managers.
 - Business should exercise social responsibility in proportion to its social power.
 - Business should not be expected to take actions that will make it difficult to attract further investment.
 - Social problems should be solved by the institutions (business or others) best fitted to deal with them.
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Conclusion

It is not enough for a business firm to be conscious of the need for discharging of its responsibilities towards different segments of the community. Management of a business firm has to make conscious efforts towards the establishment of proper relations with all those agencies and persons with whom the business firm has to deal goes by the name of public relations. Basically, the public relations function of management is concerned with the establishment of sound and mutually fruitful relations with the different 'public' which contribute towards the growth and prosperity of the business firm. These 'publics' include the owners of proprietary concerns, the shareholders of a company or the members of a co-operative society, the employees, consumers, the government, banking and other financial institutions, the other firms in the business and the community at large. In performing the public relations function, management of a firm has to develop and maintain a proper liaison with each of these, so as to earn their goodwill and patronage and secure their help and cooperation in making the firm more effective in realising its objectives.

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