

NEW PHILOSOPHY OF NEW ERA - CORPORATE SOCIAL RESPONSIBILITY**Ms. Deepika Kathuria**

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ABSTRACT

With the changed economic scenario, the way of functioning of corporate sector has changed a lot and this has made corporate sector more accountable and responsible towards different aspects of business. Corporate Social Responsibility is one of that aspect which is playing crucial role not only for the society but also for all the stakeholders who have stake in that specific business. Ministry of Corporate Affairs has also recognized the prominence of this aspect by inserting Section 135 in the Companies Act, 2013. Corporate Social Responsibility is all about what an organization does to positively impact the society in which it exists. It's nothing but the commitment of a business organization that it will work ethically and will promote social welfare. Corporate Social Responsibility pays positively to any business organization if it's undertaken with due diligence, positive approach and with properly framed strategies. In this research paper, an attempt has been made to review and analyze all the aspects related to corporate social responsibility and the prominence of "Triple Bottom Line" (TBL) in it. This paper aims to study how corporate social responsibility is worthwhile and beneficial for the corporate sector, society as well as for all the stakeholders. And also an endeavor has been made to list out some of the provisions in Companies Act, 2013 relevant to CSR. One thing that can be said with surety is that corporate social responsibility is the need of an hour and corporate world is looking at it as a business opportunity to serve the society and for penetrating their position in the market.

Keywords: Corporate Social Responsibility (CSR), Corporate Sector, Ethical, Growth

INTRODUCTION

In today's highly competitive world, corporate sector cannot survive in isolation if they want to have competitive advantage and sustainable success of their business. They will have to adopt an approach that can help them to inculcate the ethics and morality in their work behavior that not only assure simultaneous growth of business along with the growth of society but will also be helpful to business to cover long journey of success. For today's corporate sector that approach is Corporate Social Responsibility.

CSR is union of three words Corporate, Social and Responsibility.

- Corporate defines organized business.
- Social relates to everything dealing with the people.
- Responsibility defines accountability between the two.

Thus, CSR is nothing but what an organization does to positively influence the society in which it exists. It could be in the form of healthy public relations, special scholarships, preservation of cultural heritage, creation of pollution free environment, beautification of surroundings, volunteer assistance programmes etc. The basic thinking behind adopting this approach is to return to the society what the organization has taken from it for the successful establishment of its business. Many times CSR seems to be synonym of philanthropic activities but in reality both are totally different in many ways. CSR is more than the term philanthropy. Thus, corporate responsibility is achieved only when a business adopts all of its practices that meet the ethical, legal, commercial and public expectations.

There are so many factors which are truly responsible for its emergence like globalization, increased awareness of stakeholders, Government and inter Governmental bodies such as UNO, ILO, and OECD etc. Corporate social responsibility is known by many names such as corporate citizenship, corporate responsibility. The basic philosophy behind it is to contribute to the all round development of society in which business organization grows, along with accomplishing its mission of creation of wealth.

CSR helps a company in creating a favorable public image, creating a dedicated work force, discourage excessive regulations or intervention from the Government, increases credibility etc. The concept of "Triple Bottom Line" (TBL) is based on the premise that business entities have more to do than just make profits for the owners of capital, only bottom line people understand. People, Planet and Profit is used concisely to describe the triple bottom line.

CSR has been the part and parcel of so many eminent business organizations. Some of the companies like Tata Group, Wipro, Mahindra Group, GAIL, Infosys Technologies etc have apprehended the value of CSR and had included these activities as a part of their mission.

OBJECTIVES OF THE STUDY

- To study the concept of Corporate Social Responsibility (CSR).
- To understand the new provisions of section 135 in Companies Act 2013.
- To examine the factors influencing its successful implementation in the corporate sector.
- To comprehend how the Triple Bottom Line (TBL) relevant to CSR.
- To study how CSR is different from philanthropic activities.
- To know how CSR positively impact the survival of corporate sector.

RESEARCH METHODOLOGY

This research paper is primarily based on secondary data literature review. Based on the information available on different websites, national and international research papers, books, this paper makes an assessment of the concept of CSR, composition of CSR committee, activities to be performed as a part of CSR policy, causes responsible for the emergence of CSR, the prominence of (TBL).

CSR AS PER COMPANIES ACT 2013

- **As per section 135** of Companies Act 2013, all companies covered under the act are required to form CSR committee if they fulfill any one of the following conditions
 - Turnover 1000 Cr or more
 - Net worth 500 Cr or more
 - Net profit 5 Cr or more
- **CSR Committee** – CSR Committee of board consists of three or more directors, out of which at least one director shall be an independent director. A private company having only 2 directors shall form CSR committee with 2 such directors. In case of a foreign company CSR Committee shall include of at least 2 persons of which one person should be resident in India and other person shall be nominated by the foreign company. Board report u/s 134 (3) shall disclose the composition of CSR Committee.
- **Functions of CSR Committee** – CSR committee is basically designed to perform various functions to oblige the social responsibilities of corporate towards stakeholders.
 - The committee members shall formulate a CSR policy which shall include the activities to be performed by the company as a part of its CSR policy.
 - The committee must recommend the amount of expenditure to be incurred on such activities.
 - The committee must monitor and review the CSR policy from time to time.
- **Approval of CSR Policy** – The board after considering the recommendations of CSR committee shall approve the CSR policy for the company and also disclose the content of such policy in its report as well as place it on company's website.

- **Amount to be spent on CSR** – The board of the company shall ensure that the company spends in every financial year at least 2% of average net profit of the company made during the three immediately preceding financial year. Average Net Profit shall be calculated according to the provisions of section 198.

- **Examples of CSR activities** – As per MCA circulars, following are the examples of CSR activities -
 - Educating the masses including special education and vocational skills required for employment among children, women, elderly, differently abled etc...
 - Eradicating hunger, poverty, malnutrition, promotion of health care facilities and sanitation and making available safe drinking water.
 - Supplementing Government schemes like mid day meal program by the corporate.
 - Promoting consumer education and awareness, empowering women, promoting gender equality, setting up old age homes etc...
 - Promoting national heritage, art and culture, development of traditional arts and handicrafts.
 - Conservation of natural resources ensuring ecological balance, protection of flora and fauna, animal welfare, establishing renewable energy projects.
 - Measures for the benefit of armed forces veterans, war widows etc...
 - Contribution to prime minister national relief fund or any other fund for the welfare of SC/ST/OBC/minorities and women.
 - Rural development projects.

- **Examples of activities not considered as CSR Activities** –
 - Expenses incurred by the company's for the requirement of any Act/Statue of regulations, labor laws, land acquisition act etc.
 - One of events like marathons, awards, charitable contributions don't qualify as part of CSR expenditures.
 - Expenditure on sustainable urban development and urban public transport system.
 - Training to enforcement personnel.

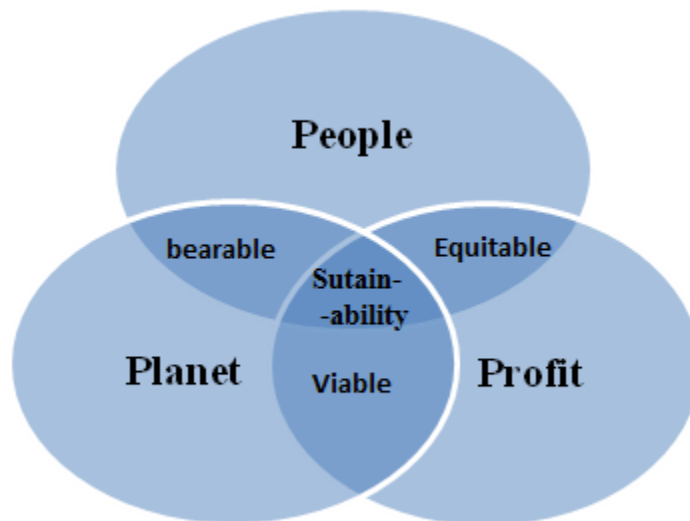
HOW CSR IS MORE THAN PHILANTHROPY?

Philanthropy can be equated with the benevolence and charity for the poor and needy. CSR on the other hand, is about how a company aligns their values to social causes by collaborating with their investors, suppliers, employees and the society as a whole. Corporate Philanthropy and CSR differ with respect to following aspects.

Corporate Philanthropy	CSR
<ul style="list-style-type: none"> ▪ It's a narrow prospective. ▪ It's a selfless giving. ▪ It focuses more on financial activities of the company. ▪ It does not require outside expertise. ▪ It deals with humanitarian causes. ▪ It assures short term viability. 	<ul style="list-style-type: none"> ▪ It's wider in approach. ▪ It's not a selfless giving. ▪ It focuses on the "Profits, People and Planet". ▪ It requires outside expertise to manage different programs to run for community. ▪ It deals with business basics and ethics. ▪ It assures long term sustainability.

TRIPLE BOTTOM LINE APPROACH OF CSR

The concept of TBL has gained utmost importance in the broader concept of CSR. The concept of "Triple Bottom Line" (TBL) is based on the premise that business entities have more to do than make just profits for the owners of capital, only bottom line people understand. People, Planet and Profit is used concisely to describe the triple bottom line.



The above shown diagram shows the interconnection between the three terms required for sustainable business growth.

“People” (Human Capital) relates to fair and humanitarian business practices towards the labor and employees. The issues related to people faced by the organization include health, safety, education and literacy, prevention of child labor etc.

“Planet” (Natural Capital) refers to sustainable environmental practices. It involves the activities that do not harm and curtails the environmental impact such as waste management, afforestation, bio-diversity and land use, ozone layer depletion, water and energy management etc.

“Profit” is the bottom line shared by all commerce. Profit is concept related to revenue generation which certainly and positively impacts the long term value of company.

TBL in short, explains that the corporate activities should have bearable affect on planets, corporate efforts should not be discriminated and people should be treated equally. It also suggests that profits earned by the business organization should be adequately viable to ensure sustainable growth and prosperity.

FACTORS AFFECTING IMPLEMENTATION OF CSR

CSR is deliberately taken action of corporate sector but its success is dependent phenomenon. Globalization, increased awareness of stakeholders, guidelines of Government and Inter Governmental bodies are some of the factors which are truly responsible for its emergence and implementation. Some are as follows:

- Due to emergence of multinational companies, cross border trade, global supply chains, globalization, the CSR is raising concern among corporate. The prime reason behind such importance is to be in direct competition with the multinationals.
- Presently the implementation of CSR is not only governed by the personal ethical behaviors of corporate. Infact, they are supposed to adopt CSR as part of their functioning as per the guidelines and regulations framed by various Government and Inter-Governmental bodies such as UNO, ILO, and OECD etc. that outline the social norms for acceptable conduct.
- Because of the advancement and modernization of information technology, it has become quite easy to have vigil eye on the corporate functioning and to track the level of activities which are specifically meant for society and affecting the social conduct.
- The enhanced level of awareness among the stakeholders is most important factor affecting the implementation of CSR. These days, investors are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues.
- Last many years had witnessed the numerous breaches of corporate ethics and norms and these things had resulted into loss of trust among the stakeholders regarding the functioning of

corporate. They no more rely blindly on the corporate work behavior and this leads to the growth and in-depth evolution of the concept of CSR.

- Business organizations have realized that without being social, they can't have long term viability. The sole objective of short term profitability can only be achieved without paying attention to CSR.

POSITIVE IMPACTS OF CSR

Business cannot exist in isolation; business cannot be oblivious to societal development. The social responsibility of business can be integrated into the business purpose so as to build up a positive synergy between the two.

- CSR creates a favorable public image which acts as a magnet to attract customers.
- CSR activities build up a positive image encouraging social involvement of employees which in turn helps in creating a sense of loyalty, dedicated work force.
- By adopting CSR as part of its functions, corporate get success in impressing the Government authorities and this leads to the reduced interference and excessive regulations of government and statutory bodies. Thus, it gives greater freedom and flexibility to business enterprise in its functioning.
- Inculcation of CSR approach has helped corporate to be more global in their work and this has been very fruitful in generation of huge profits.
- CSR helped business enterprises to gain trust of its stakeholders. CSR helped to maintain healthy and long lasting relationship of business enterprise with its stakeholders.
- TBL as part of CSR ensures healthy and positive impact on planets, equitable treatment of people and also ensures the profits adequately viable for sustainable growth and prosperity.
- CSR helps in reducing the risk level and maintain the brand image of the firm by ensuring the avoidance of non-corruptive practices.
- By following the CSR practices a firm can differentiate itself from rest of the corporate. The companies following CSR earns good reputation and succeed in having competitive advantage.

CONCLUSION

After conducting this study, it can be summarized that CSR is the continuing commitment by business to behave ethically, morally and contribute to the economic development while improving the quality of life of work force, local community and the society as whole. Corporate social responsibility is the need of an hour and corporate world is looking at it as a business opportunity to serve the society and for penetrating their position in the market. A path breaking initiative has been taken by MCA by inserting various provisions in the New Act 2013 like CSR Committee, CSR policy, amount to be spent on CSR etc... CSR is deliberately taken action of corporate sector but its success is dependent phenomenon. Globalization, increased awareness of stakeholders, guidelines of Government and Inter Governmental bodies are some of the factors which are truly responsible for its emergence and implementation. Thus, in nutshell, we can conclude CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large as well as to shareholders.

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