



## CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

**DR. JANGALE BHASKAR HARIBHAU,**

Asso. Prof. & HOD, Banking and Finance,  
Daund Taluka Arts & Commerce, College, Daund,  
Dist. Pune (MS) INDIA

### ABSTRACT

*CSR is not a new concept in India. Corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Ethics involves learning what is right or wrong, and then doing the right thing. Many philosophers consider ethics to be the "science of conduct. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society. Ethics are, at their essence, moral judgments about what is right and what is wrong. In a business sense, these ethics are decided upon and formed by each company and underpin the decisions that anyone in the business makes. The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund etc. Working as an ethical business has many benefits, not least of which is the ability to attract and keep investors, employees and customers. There are few challenges like participation of the local people, transparency, reliable NGOs etc. to undertake CSR projects. Now a class of professionals has come up to guide the corporate and to tie up the viable sustainable needy projects and the corporate interested in having CSR projects. In any developing country the CSR plays an important role. Now the Indian corporate are poised to take up CSR projects to support the govt. developmental efforts.*

**Key words:** CSR, developing countries, non-governmental organization, sustainability of the project,

### Introduction

CSR is not a new concept in India. Corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community



ever since their inception. Many other organizations have been doing their part for the society through donations and charity events well before the recent statutory amendment. Corporate responsibility is the commitment by companies to manage their activities in a responsible way.

Corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses.

Business Dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources."<sup>1</sup>

The concept of corporate social responsibility was first introduced in India in the 20<sup>th</sup> century. India is a developing country where about 68.84 per cent of its population is residing in rural area. Agriculture is the principal economic activity. Even the literacy rate is low. As the govt. has limited resources the corporate organization should come forward to full fill their social commitment in the form of undertaking CSR projects.

India has grown at a rapid pace in the last two decades and its global standing is on the ascendancy. Many factors have contributed to this. The role that technology sector has played in this transition is pivotal. It has been one of the key contributors to this growth story through revenues, foreign exchange inflow, job creation and the larger multiplier effect that it has created on many industries. An even bigger contribution has been the brand recognition that this sector has earned for India– globally respected leading technology companies of all sizes, breeding ground of talent and now a very vibrant start-up ecosystem.

**Ethics in Business:** Ethics involves learning what is right or wrong, and then doing the right thing. Many philosophers consider ethics to be the "science of conduct.

**Business ethics** as the principles and standards that determine acceptable conduct in business organizations. Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. Business ethics

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<sup>1</sup> "Definition of CSR". Retrieved September 4, 2016.



relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society.

The most basic ethical and social responsibility concerns have been codified as laws and regulations that encourage businesses to conform to society's standards, values, and attitudes.

Ethics are, at their essence, moral judgments about what is right and what is wrong. In a business sense, these ethics are decided upon and formed by each company and underpin the decisions that anyone in the business makes. The decision to behave ethically as one individual to another is easy for any decent moral human being, but it is easy to forget the impact a large, faceless business can have on the world. Business Ethics and Corporate Social Responsibility are all about bearing in mind the full weight of any corporate decision.

Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost. Upholding the promises it has made is crucial to maintaining that reputation.

The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e.

- (a) Net worth of the company to be Rs 500 crore or more;
- (b) Turnover of the company to be Rs 1000 crore or more;
- (c) Net profit of the company to be Rs 5 crore or more.

Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

### Activities under CSR:

The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic



development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

All CSR funds must be spent in India. The New Act encourages companies to spend their CSR funds in the areas where they operate, but money cannot be spent on activities undertaken that are part of the normal course of the company's business or on projects for the exclusive benefit of employees or their family members.

### **The Importance of Business Ethics to a Company**

Working as an ethical business has many benefits, not least of which is the ability to attract and keep investors, employees and customers. Knowing that the company they deal with has stated their morals and made a promise to work in an ethical and responsible manner allows investors peace of mind that their money is being used in a way that aligns with their own moral standing. When working for a company with strong Business Ethics, employees are comfortable in the knowledge that they are not by their own action or inaction allowing unethical practices to continue. Customers are at ease buying products or services from a company they know to source their materials and labour in an ethical and responsible way.

A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behaviour, and less likely to find themselves in breach of one of the multitude of laws concerning required behaviour – for example, laws around payments to corrupt regimes, or environmental practice policies. The whole company can be fined, the directors can be fined, and individual employees can be fined if the responsibility for an infraction falls on their shoulders.

### **Types of Corporate Social Responsibilities**

- **Economic** – the duty of managers, as agents of the company owners, to maximize stockholder wealth
- **Legal** – the firm's obligations to comply with the laws that regulate business activities
- **Ethical** – the company's notion of right and proper business behavior.
- **Discretionary** – voluntarily assumed by a business organization.

### **CSR & Profitability:**



- ❖ **Corporate social responsibility (CSR)**, is the idea that business has a duty to serve society in general as well as the financial interests of stockholders.
- ❖ The dynamic between CSR and success (profit) is complex. They are not mutually exclusive, and they are not prerequisites of each other.

### Social Audit

- ❖ A **social audit** is an attempt to measure a company's actual social performance against its social objectives.
- ❖ The social audit may be used for more than simply monitoring and evaluating firm social performance.

### Major trends in Codes of Ethics

1. Increased interest in codifying business ethics has led to both the proliferation of formal statements by companies and to their prominence among business documents.
2. Such codes used to be found solely in employee handbooks.
3. Companies are adding enforcement measures to their codes.
4. Increased attention by companies in improving employees' training in understanding their obligations under the company's code of ethics.

### There are some challenges that CSR faces nowadays and these are as follows.

- ❖ Success of any CSR long term project is dependent on the local community participation. Soliciting their participation is a difficult task.
- ❖ There is a dire need of local non-governmental organization having trained and efficient staff which can effectively take up the CSR activities.
- ❖ In a survey undertaken by an NGO it has come to surface that lack of transparency is a crucial issue.
- ❖ In the remote rural areas absence of well organized NGOs poses a problem in identifying viable projects which will convince the corporate to take up the project under CSR.

- ❖ There should be clear cut directions to the corporate for CSR initiative

### The current scenario:

Now after three years of the statutory requirement the performance of the corporate under CSR front has shown considerable positive development. According to the survey for 2016 undertaken by future scape the following are the two ten companies based on their performance in CSR:

1. Tata Steel Ltd.
2. Tata Power Company Ltd.
3. UltraTech Cement Ltd.
4. Mahindra & Mahindra Ltd.
5. Tata Motors Ltd.
6. Tata Chemicals Ltd.
7. ITC Ltd.
8. Shree Cements Ltd.
9. Bharat Petroleum Corporation Ltd.
10. Larsen & Toubro Ltd.

### Conclusion:

In any developing country the CSR plays an important role. This is used as an instrument of sustainable development. CSR is not a static concept but a dynamic concept. Day in and day out new dimensions are being added to it. The projects undertaken under CSR are usually long term and are sustainable in nature.

Relatively the concept of CSR in the statutory form is of recent origin. The thrust of the CSR is on project based activities. Due to technology advancement vast opportunities are available. The talented Indian youths should grab this opportunity and identify projects which can be taken up under CSR. The corporate should also change their mindset and look at the CSR as a long term strategy and not merely a legal obligation.

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