

Source/Strategies for Finance and Marketing

W4 L5: Corporate Social Responsibility

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Hello friends, in today's session, we are going to discuss about social responsibility of business or which is commonly known as corporate social responsibility. In today's globalized market based economic system. Where cutthroat competition between the companies for the profit maximization is the rule of the day, thus corporate social responsibility also became a barge word. This corporate social responsibility is a form of self regulation. That can be expressed by initiative or strategy taken up by a particular company based on the organizational goal.

WBCSD or World Business Council for Sustainable Development, they define this corporate social responsibility as a continuing commitment by business to behave ethically and contribute to sustainable economic development while improving the quality of life of the population workforce and their families as well the local community and society. So when you talk about corporate social responsibility, sometimes more stress was generally given on the economic part but corporate social responsibility also have a number of other dimension apart from the economic responsibility.

So this corporate social responsibility can be expressed as a, the sum of the following four type of responsibility of the business. That is, first one is economic responsibility that means making a profit. Secondly, legal responsibility, obeying the law while making the profit. Third one is ethical responsibility. In the process of business, the business operation should be ethical and last one is the philanthropic responsibility that is to become an good corporate citizen by serving the society on which this business basically thrives upon.

So the concept of the corporate social responsibility has changed or evolved from time to time. So Frederick provides a expanded framework for the understanding CSR concept and it can be divided into four broader phase. So the initial stages from 1950s and 60s. The corporate social responsibility concept generally revolve around the corporate social stewardship in turn, this corporate social stewardship revolved around the concept of philanthropy and charity in terms of corporate social responsibility or social responsibility of the business.

In the next stages from 1960 and 1970, the concept changed towards the, evolved to the corporate social responsiveness what is new in that? Apart from the, this philanthropy and charity which were there in the corporate social stewardship, It added a new dimension or legal dimension. So now the business is legally bounded to do corp charity and philanthropy as a part of the service to the society. So in 1980s and 1990, the concept changed to the corporate or business ethics. That is ethical conduct of the business operation, ethical conduct of the other functions of the business. And at the latest, the new concept of the corporator global citizenship has arrived. The corporate and global citizenships revolve around that. In today's context, the company should be broadly engaged into the community development program or they should adequately response to the need or broad development need of the community and the society as well as the environment.

It should be the integrated part of their total the business process along with the all other dimension like philanthropy, charity ethical conduct of the business, et cetera. What are the drivers of this? I told this initially at the beginning I told that corporate social responsibility become a buzzword, ok.

What is driving the CSR or this importance towards the and this more limelight to this corporate social responsibility how the company are performing their corporate social responsibility. How responsive government are to ensure the CSR of this private organization ok. The first driver is that the shrinking role of the government. So government neither have the resources or not have the ability to reach the each and every problem faced by the grassroot level people. Corporate social responsibility can act as an or can fill up the gap which is left by the government due to the different financial or economic or management reason.

Also today's more informed citizen they demand more disclosure about the, how the profit made by a particular company based on the business which thrive on the community or particular nation, ok, how they are using that profit for the betterment of the, People or whether that profit is being garnered by the few owners of the company, ok.

The, this better, this larger demand from the society to make the business more ethical, to make the business more responsive, so that is also driving towards the this limelight toward

driving towards the use of the corporate social responsibility. Also the investor who take part into the corporate in the corporate activity, they are also demanding.

the company should be more ethical in their business, company should be more responsive to the society they serve and the competitive market condition where the image of a particular company or image of a particular business also depend on the how much responsive or how much they are serving the community needs or the need of the society this corporate social responsibility become an very important aspect for the private business to deal with.

What are this benefit of the, this performing the corporate social responsibility or carrying out the activities based on the under the broader dimension of the corporate social responsibility by the different business organization, ok.

As the last point of the previous slide, I told that with the increasing competitiveness this CSR or carrying out CSR activity in a fair and efficient manner, okay, it strengthen the brand position, okay, or it enhance the corporate image also. As in India, one of the mostly loan company or one of the most prominent and company where the people loves that is the Tata Group. Tata group is very efficient in carrying out their corporate social responsibility by setting up hospital, school and many other activities, ok. Also this carrying out corporate social responsibility increase the image of a particular corporation so much that it have the ability to attract, motivate and retain employees of those employees and because it serve the social need of the employees their tendency to serve the societal causes through the working through this particular company. Okay. So in this process, sometimes it's also resulted in the increased sale and market share for the company also.

So that is the, and also it appealed to the, it generally increased the appeal to the investor. And the financial analyst to bring that company in a positive light or to sow that company in a positive light. Okay, so these are the benefit of this corporate social responsibility for any business, apart from the particular need of the society there serving.

So according to the company Act 2013, okay, companies are mandated to CSR or mandatory or companies are mandated to carry out corporate social responsibility based activities who net

worth are those company only whose net worth of generally is 5000, 500 crore or more turnover is 1000 crore or more and net profit is 5 crore or more.

These companies sell earmark, 2 percent of the average net profit of the 3 years toward the their fund for the corporate social responsibility. Let us take a look into what is eligible as a corporate social responsibility for a particular business and what is not a part of the CSR, ok. The CSR should be measurable in the terms of rupees. Which is not measurable or in the kind that is not the CSR activity, ok. It must bring direct benefit to the CSRR must be particularly targeted towards the disadvantaged section of the society, poor deprived section of the community, even the poor and deprived area, ok.

The benefits should not go to the employees of the company or their families. If it is go to the benefit of the company's employee, then it is not a CSR. Also the CSR activity must be in the form of the projector program, ok. That means, the CSR activity must be projectivized, must be carried out in a time in a structured and time bound manner. What are the component of the project? Okay, so for cutting out CSR activity as it should be in the form of the project. So this thing should be keeping to the mind by the entrepreneurs or the the business operator in terms of the CSR. Okay? So the components of the project at that, this should be the project must be need based. That means it should be come from the proper survey and should target towards the need of the deprived section or the targeted section. Ok. There should be, I already told that it is time bound, ok. There should be financial allocation for carrying out the project intervention, ok. And that intervention should be evaluated or measurable based on the objective of the goal and there should be the provision of the robust periodic and review and monitoring. And at last the evaluation and assessment must be carried out and most preferably by the third parties. Not by the internal team. So if the activities are not carried out in this manner, it is in the only, in the form of the philanthropy or donation, it'll not be counted as a CSR.

Okay. So what are the other feature of the CSR that is the corporates are expected to fund project from their own accounts through the implementing agency. So in the form of the CSR, the government programs or initiative can also be complemented and supplemented. That we, that will also count as a CSR, but if it is duplicate the government initiative that should not be, that is not generally counted as a CSR, ok.

The similarly the funds or money deposited in central and government account will also not act as a CSR, it should be duplicated. Spend through the implementing agency. Ok. And, in India, the for qualify as a corporate social responsibility spending that fund should be or that activities or projects should be carried out with in the geographical boundaries of the India if it is outside India though it may be on the Indian citizen, but still it is not qualify as a CSR. Today's class we look into how the concept of the corporate social responsibility revolved from the initiation of the, this private business or the blooming of the capital based market or market based capital market based economic system and what are the requirement for the company or what are the mandatory requirement for the company to spend on in the name of the, in terms of the CSR based on their net worth, based on their profit and what activity qualified as a corporate social responsibility and what activity does not qualify as a corporate social responsibility. We will conclude with this.

Thank you.