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### Corporate social responsibility of business - an Indian scenario

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#### ABSTRACT

The operation of a business enterprise affect a wide spectrum of society. The resources that are used not only limited to those of the proprietors but also from many connected with the enterprises - the share holders, the suppliers of material resources, the consumers, the local community and the society at large. Hence, a business enterprise has to be socially responsive so that a social balance is struck between the conflicting interests of business and society. The Social responsibility of business refers to what the business shall do, over and above the statutory requirement, prescribed by the government for the benefit of the society. The word responsibility connotes that the business has some moral obligations to the society. The government of India enacted many labour welfare and social security legislations to ensure social justice. The objective of the government is to provide good working ambience to the labour force working in different environment and to improve their standard of living by the implementation of Corporate Social Responsibility by the corporate.

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#### Introduction

In the modern economic development oriented environment, the corporate sector cannot function in isolation. If the plea of the companies that they are performing a social purpose in the development of the country is to be accepted, it can only be judged by the test of social responsiveness shown by the corporate. The corporate need to behave and function as a sensible member of society, like any other individual and cannot shun moral values, nor can it afford to ignore compulsions. The real need of the hour is the focus of accountability of the corporate which need not be limited to shareholders alone.

There has been a growing acceptance of the plea that business should be socially responsible as the business enterprise, make use of the resources of society for its functioning. Hence the Corporate should discharge its duties and responsibilities in enhancing the welfare of the society of which it is an integral part and the associated Key works are the corporate social responsibility, social orientation, and peripheral, labour welfare and social security.

**1. Social orientation of the business:** The extent of social orientations of companies varies very widely. Further the social orientation is the extent of social involvement of the company that may change over time.

**Social responsibility models:** There are some models, which endeavor to describe the evolution and extent of social orientation of companies. The notable ones include Carroll's Model, Halal's Model and Ackerman's Model.

Archie B Carrol, who defines corporate social responsibility as the entire range of obligations of business to society and it has proposed, a three dimensional conceptual model of corporate performance. According to Carrol, a firm has the following four categories of obligations of corporate performance - ECONMIC // LEGAL // ETHICAL // DISCREATIONARY as represented below: Thus the Responsibility of business is Carrol points out that these four categories are not mutually exclusive and the

boundaries between them are difficult, if not possible to define. Further these terms are not value free and they may be interpreted differently by different people.

Figure 1:



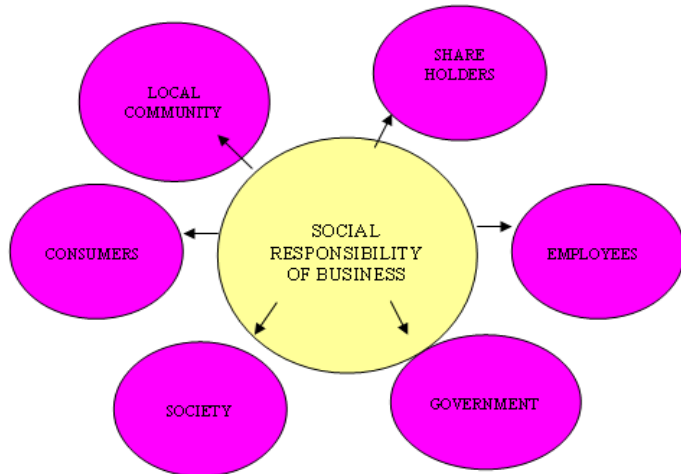
**2. Responsibilities to different sections:** Although the idea of social responsibility of business is immensely popular, there is no unanimity as to what constitutes it. The important generally accepted responsibilities of business to society are:

**a) Responsibilities to shareholders:** The responsibility of a company to its shareholders, who are the investors, is indeed a primary one. The fact that the shareholders have taken a great risk in making investment in the business which should be adequately recognized by taking efforts to run the business effectively and shall pay the fair dividend to them.

**b) Responsibilities to employees:** The success of an organization depends to a very large extent on morale of the employees and their wholehearted co-operation. The employee morale depends to a large extent on the discharge of the responsibilities to them and ensures the employer - employee relationship.

**c) Responsibilities to Consumers:** According to Peter Ducker, "there is only one valid definition of business purpose, i.e. to create a customer." Ducker observes: the customer is the foundation of a business and keeps it in existence and gives employment to supply the wants and needs of a consumer, and the Society entrusts wealth - producing resources to the business enterprises.

**Figure 2**



#### **Claimants of social responsibility of business**

##### **d. Responsibility to the community:**

A business has a lot of responsibility to the community around its location and to the society at large. These responsibilities include:

1. Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance.
2. Rehabilitating the population displaced by the operation of the business, if any.
3. Assisting in overall development of the locality.
4. Taking Initiatives to conserve scarce resources and developing alternatives, wherever possible.
5. Improving the efficiency of the business operation.

##### **CSR initiatives by Indian Corporate**

The CSR initiatives taken by the multinationals and the central public sectors and state public sectors were analyzed. Coal India Limited had taken initiative to implement CSR in letter and spirit. The company spends 550 crores to CSR initiatives and implemented in Bihar and Jharkhand states. The public sector like Coal India had set precedence in CSR initiative and become a model employer in the corporate world. The CSR initiative include, providing education to the poor, arranging water supply to the villages and constructed 425 dispensaries for the people of Bihar and Jharkhand states.

Similarly, the company provides employment to the family members of the employees and taken various steps to protect the environment in surrounding areas of the operation. Likewise, Bharath Petroleum Limited has initiated CSR initiative in many parts of India; BPCL had extended scholarship for outsiders under Bharath Petroleum scholarships for higher studies, from 2003 onwards. The BPCL had received Shell Helen Keller Award for its significant contribution in creating employment opportunities for differently able personnel.

The leading Business Barons like Tata groups, Birla groups, Ambani's Reliance Group, Mahindra and Mahindra, Maruti Suzuki, TVS and Sons Ltd., Appollo Tyres are spending crores on CSR initiatives. The big corporate are allocating 2 to 5 % of their profit for the CSR initiatives and contributing to the growth of the society.

##### **CSR initiatives by Government: Employee Welfare And Social Security**

The chapter on the Directive Principles of State Policy of Indian constitution expresses the need for labour welfare. Article 38 of the Indian Constitution states that "The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, to ensure Social justice. Article 39, Article 41, Article 42 and Article 43 of the constitution envisages to protect the industrial worker from exploitation and to provide them good working conditions."

The Factories Act 1948 provides various welfare measures in India. The act contains provisions for health safety and welfare of the industrial workers. To supervise the implementation of the statutory safety rules and welfare measures, the act provides rules for the appointment of Safety Officers and Welfare Officers under section 40 B and 49 respectively. The government being the sole owner and custodian of the natural resources has the responsibility to protect the small and large industrial establishments. *Similarly, it is the responsibility of the government to ensure social justice to the industrial workers as well as the people of the entire country.* Employee welfare and social security measures are initiated by the central and state governments prior and after independence. The government is keen to protect the large industrial labour from exploitation and social inequality. The labour legislations were enacted with a view to provide good working conditions and to ensure social justice.

The important labour legislations enacted to provide social security to the industrial workers are:

- 1 The Workmen Compensation Act 1923
- 2 The Employees State Insurance Act 1948
- 3 The Employees Provident Fund Act 1952
- 4 The Maternity Benefit Act 1961
- 5 The Payment of Gratuity Act 1972
- 6 The Industrial Disputes Act 1947

To provide good working conditions the Government of India enacted the following legislations:

- 1 The Factory's Act 1948
- 2 The Payment of Wages Act 1936
- 3 The Minimum Wages Act 1948
- 4 The Industrial Employment (Standing Orders )1946
- 5 The Mines Act 1952

##### **Review of literature:**

**1. Tripathi. P.C (1999)** reviewed the impact of the labour welfare and social security legislations on industrial labour in India. The Directive Principles on State Policy expresses the need for labour welfare. Article 38, 39, 41, 42 and 43 are insisting the central and state governments to enact suitable legislature measures to protect the industrial worker from exploitation and to provide good working condition. The findings prove the fact that, the enactment of the Factories Act 1948, the Industrial Disputes Act 1947 and The Payment of Wages Act 1936 are helped the industrial worker from the clutches of exploitation and slavery.

**2. Shahank Shah & Sudhir Bhaskar.A (2010)** in the article on "The combine study on employee welfare management at

BPCL” proved the fact that the principal employer has the responsibility to provide good working conditions and to improve standard of living of the employees. The CSR initiatives taken by BPCL had enhanced the prestige of the public sectors in India. The CSR initiatives had helped the employees to improve their morale and resulted in higher productivity. Similarly, the public sectors should ensure job security and shall provide all the fringe benefits depend on the profit margin.

**3. Dr. Francis Cherunnulam (2012)** had identified the fact that, the social responsibility of the business is usually advocated for private sector, presumably on the assumption that, the public sector is quite responsible. But the fact still remains that the public sector in India has yet to prove that it is more responsive to society than the private sector. In some cases, in fact, the record of the public sector is more dismal than that of private sector.

**4. Mohandas (2012)** analyzed the importance of CSR initiatives by Coal India Limited and its impact on the life of the surrounding people. The analysis proves that, business has a responsibility to give back to and the people and the society at large. The CSR initiatives taken by Coal India Limited become a role model for all public sectors in India. The analysis further stressed the need for framing CSR guidelines for all the public sector enterprises. The CSR initiatives by the large public sectors and private sectors shall contribute the overall development of the society and will help to eradicate the poverty to the certain extent.

**5. Victor Anandkumar & et.al (2012)** in the case study throws light on the extent and nature of the use of social media in CSR initiatives, which focus on environmental sustainability. This study reveals that while social media has proven to be effective in connecting with and engaging the online users, not all initiatives are utilized and the different social media platforms are utilised to the fullest extent possible.

#### **Findings:**

The review on corporate social responsibility initiative identifies the fact that, some of the oldest corporate houses and business families have had a legacy of investing in social development long before the corporate of CSR was known. The recent survey shows that only 16 % of the top 100 listed firms have a corporate responsibility strategy in place as compared to 73 percent of their 250 global counter parts. Furthermore the key drivers of corporate responsibility in Indian companies revolve around a limited scope defined by ethical considerations and brand building (Marwaha 2012). The central and state public sectors are allocating huge amount for CSR initiatives. Whereas in private sectors very minimal amount has been spend for CSR activities.

In spite of the much labour legislation in India, the plight of the industrial worker is still witnessed. The failure of the statutory inspectors under the various legislations had further deteriorated the living condition of the labour. The central public sectors and state public sector are implementing labour laws and providing social security to their employees and contributing the society at large. The CSR initiative taken by the Coal India Ltd and other central and state public sectors are standing examples. However, the plight of the industrial worker in private sectors is still pathetic and not improved. The workers in the un-organized sectors are still roving and the government has not succeeded in controlling them by a full proof legislation.

#### **Conclusion:**

Business, survives along with the resources of the society, and do have a responsibility to the society towards societal development besides providing goods and services to the demand oriented needs. Business which is an integral part of the social system has to care for varied needs of the society oriented to the needs of common man /unprivileged/underprivileged segments and improve their quality of life. Business which is resourceful has a special responsibility to the society in improving the quality of life of all segments of population to ensure balanced improvement of quality of life of society. Coal India Limited had set a model in discharging its corporate social responsibility. The data on CSR proves the fact that the private sectors involves in CSR activities to get tax exemptions, especially on the income spent on social purposes. The Social involvement of business enterprises may increase the price of products and if CSR is chosen as a channel of tax exemption may even affect the purchase power of the consumers. Similarly, Business oriented Social involvement may lead to an increase in the dominance of business over the society instead of being supportive to society.

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