

# Corporate And Society: A Symbiotic Relationship of Service and Sustainability

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## Abstract

Business is an economic enterprise and that it must ultimately justify itself on economic performance or achieving its objectives of profit making. It is also true that business is an organ of society and as such it must justify its continuance by fulfilling its role and responsibilities to society. Business depends upon society for inputs like man, money and technology. Earlier, that business organization was considered good which was high profit for its owner but today, the situation has changed. Today responsibility of business is not limited to its owners alone, rather it has assumed larger dimensions. Business has to look to the interests of many other interested groups. Now a days there is feeling that business should help in overcoming social problems. It should try to help the society even at the cost of reducing its profits. After all, it is society consisting of workers and consumers which enables business to earn profits, as saying goes, ‘a tree must protect the land on which it stands’.

In this paper I have taken initiative to understand the fundamental changes in paradigm of corporate social responsibility and new innovative practices being applied for its implementation in the last decade in India. An attempt has been made to establish the symbiotic relationship between corporate and society on the basis of secondary study.

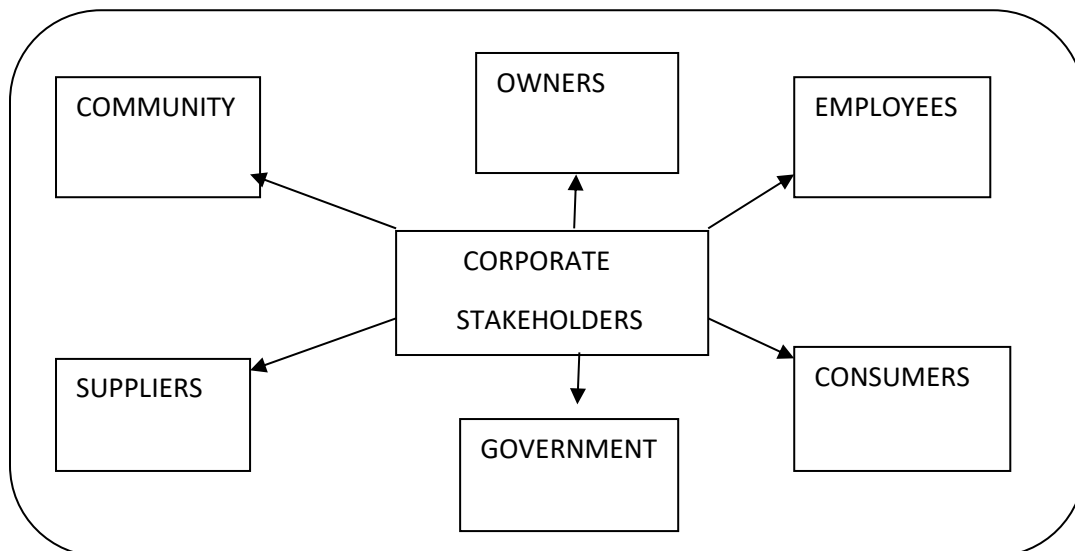
**Key words:** corporate entity, symbiotic relationship, corporate ethics, corporate responsibility, consumer equity, corporate sustainability, company act 2013.

**Introduction:** Business (Body Corporate) has separate entity. A business has got its own individuality as distinguished from the persons who own or control it. Any entity created by existing laws or special statute passed by parliament is known as corporate body or legal entity. Corporate entity is an artificial person in eyes of law and it can be sued by or sued for. A company or corporate is an association of persons who contribute money in the shape of shares and employ it in some trade or business, and who share the profit or loss arising from such business.

**Corporate ethics:** the word ethics is derived from Greek word ‘ethos’ which means standard/ideals that should prevail. Ethics refer to voluntary code of conduct that guide corporate in dealing with others. Corporate moral binding on business. It helps business in maintaining harmonious relationship with society. Knowledge of good and evil, right and wrong, just and unjust is imperative to corporate business. Ethical practices are; to sell quality goods at fair prices, to pay taxes honestly and to understand dignity of labour. Un-ethical practices are; to give false and deceptive advertisements, selling adulterated and unhealthy goods and to sell socially undesirable goods

**Golden rule of ethics:** “treat others as you would like to be treated, if you were them.”

**Corporate social responsibility:** no doubt a company is an artificial person, but it works only with the help of natural human beings living in the society. No corporate entity can exist in vacuum. During recent years, corporations worldwide have realized that in order to exist in the society they need to be broad minded and must do something for the betterment of the society and a few of these have made praiseworthy efforts towards serving society at large through their sincere efforts and initiatives. In certain national system minimum standard are required or recommended in order to eliminate potential conflicts of interest or client/employee mistreatment. Corporate social responsibility is a company`s sense of responsibility towards the community and environment (both ecological and social) in which it operates. It may be defined as the broad area dealing with the way in which a company behaves towards, and conducts business with, its internal and external STAKEHOLDERS; including employees, investors, creditors, customers and regulators.



**Classification of Social Responsibility**

**Responsibility towards itself:** It is the responsibility of each corporate entity to work towards growth, expansion and stability and earn profits.

**Responsibility towards shareholders:** It is the responsibility of corporate entity to safeguard the shareholders’ investment and make efforts to provide a reasonable return on their investment.

**Responsibility towards consumers:** The Company should maintain high quality standards at reasonable prices. It should not resort to malpractices such as hoarding and black marketing.

**Responsibility towards state:** Out of the profit available, the state is entitled to a certain share as per the income tax laws. Utmost transparency has to be exerted regarding the profit & loss account and the balance sheet.

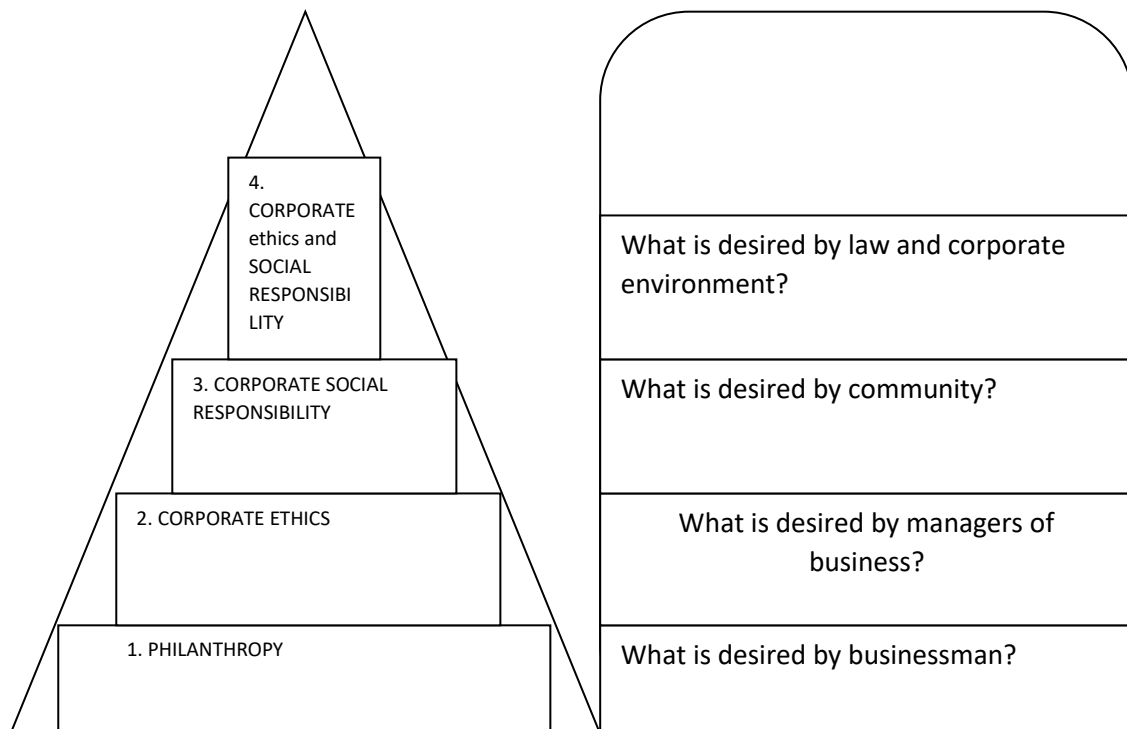
**Responsibility towards environment:** It is the responsibility of the organization to contribute to the protection of environment. It should produce eco -friendly products. Moreover, industrial waste management must be taken care of.

**Responsibility towards Employees:** Employees are the most important part of an organization. Following are some of the responsibilities which a business entity has towards its employees- • Timely payment • Hygienic environment • Good and impartial behaviour • Health care through yoga • Recreational activities • Encouraging them to take part in managerial decisions

**Stages of growth:** the concept of corporate responsibility itself is not a novel one. Religious traditions and commandments have, for centuries, helped shape the relationship between the privileged and the vulnerable in India. The religious concepts around daan, seva, and zakat in order to help the poor had, in ancient and the middle ages translated to wealthy merchants and traders giving money or providing help in kind for the betterment of the poor. The conceptualization of corporate social responsibility till 1990`s was purely in nature of philanthropy or charity. The charitable donations and profits given by corporate to non-profit organizations are known as corporate philanthropy. Corporate philanthropy generally consists of cash donations but can also be in the form of welfare programs. Many industrial houses like TATAs, BIRLAs, and RELIANCEs set up charitable trusts that provided financial grants, also took up more active role like the establishment of Birla Institute of Technology, Pillani by the BIRLAs or setting up primary schools by several major industrial groups for their workers` children. Philanthropy based model has several problems. The corporation does not commit its resources fully behind such projects, but only one time grant or periodic grants are served. Community participation was not there as corporate feel it an act of charity

One of the most revolutionary changes in capitalism over the last few years is the development of 'conscience'. Private business which is the hard core of this economic system has realized, and has been made to realize by several social, economic and political forces that it has social obligations to fulfill besides ensuring its own existence through profitable activity. There is no denying the fact that part of this realization is not genuine and takes the form of lip-service which is necessary to survival of private enterprise.

However the post liberalization phase has seen a fundamental shift from this philanthropy-based model of corporate social responsibility to a stakeholder-participation based model. In stakeholder model the community in which the corporation is present, is seen as a stakeholder in the company and therefore, the company has certain obligation and duties towards it like it has towards its other stakeholders (customers, employees, creditors, investors and govt.). It is recognition of the fact that companies perform in non-financial areas such as human rights, business ethics, environmental policies, community development, corporate governance and workplace issues etc.



### STAGES OF GROWTH

The question that arises at this juncture is what the reasons for this shift are in the basic paradigm in corporate responsibility in post-liberalization era. This transformation may be the result of followings:

- A. The threat of public regulation.
- B. The pressure of labour movement.
- C. The development of moral values and social standards applicable to business.
- D. The development of professional managerial class.
- E. Recognition of the importance of consumer equity.

These and a number of other social and economic forces have combined together to make business a socio-economic activity. Business is no longer is mere occupation; it is an economic institution operating in social environment. Essentially, it is this which gives rise to general and specific responsibilities of business.

**Present scenario:** corporate social responsibility is simply concerned with the integration of environmental, social and economic considerations into marketing and business strategies. Principles given by ‘NATIONAL VOLUNTARY GUIDELINES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS’ are as under:

1. Businesses should conduct and govern themselves with Ethics, transparency and accountability.
2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.
3. Businesses should promote the well -being of all employees.
4. Businesses should respects the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
5. Businesses should respect and promote human rights.
6. Businesses should respect, protect and make efforts to restore the environment.

7. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
8. Businesses should support inclusive growth and equitable development.
9. Businesses should engage with and provide value to their customers and consumers in a responsible manner.

### **PROVISIONS OF THE COMPANIES ACT, 2013 REGARDING CORPORATE RESPONSIBILITY:**

The new act provides for sweeping changes in the way companies operate and are regulated in the country. Passing of this act is praiseworthy decision as it has made India among first nations to have social welfare spending as part of company statute by law. According to an estimate, around 8000 companies would fall under its ambit and more than Rs. 10,000 crore p.a. will be mobilized for the welfare of the society at large. Now it will become mandatory for corporate to adopt corporate social responsibility. A company with a net worth of Rs. 500 crore or more, a turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more in a financial year shall constitute a corporate social responsibility committee of the board, consisting of three or more directors, of which at least one shall be an independent director. The board of every company shall make every effort to ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR policy. If company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount. Following activities may be included by companies in their CSR policies.

1. Eradicating hunger and poverty. Contribution to the Swachh Bharat Kosh set up by central government for the promotion of sanitation and making available safe drinking water.
2. Promotion of education and livelihood enhancement projects.
3. Promoting gender equality and empowering women. Setting up old age homes, day care centres and such other facilities for senior citizens.
4. Health - reducing child mortality, improving maternal health, combating AIDS, malaria and other diseases.
5. Ensuring environmental sustainability.
6. Employment enhancement vocational skills.
7. Protection of national heritage, art and culture. Setting up public libraries.
8. Measures for the benefit of armed forces veterans, war widows and their dependents.
9. Social business projects.
10. Contribution to Prime minister's National relief fund or any other fund set up by the central government or the state governments for socio-economic development.
11. Contribution to funds for the welfare of the schedule castes, the schedule tribes, other backward classes and minorities.

Corporate social responsibility must not be defined by tax planning strategies alone. Rather it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. It should not be regarded as an imported western management notion; it is a part of our cultural heritage. It is based on the idea that the wealthy have an obligation to society and balance in nature

**Pioneers of corporate social responsibility:** the concept of corporate social responsibility is very old in our country. In ancient Indian society the rich merchants used to provide relief in the times of natural calamities like flood, earthquake and famine. They built dharamshalas, places of religious worship, orphanages and old age homes for the welfare of society. These merchants used to command great respect in the society.

With the pace of development in the economy, corporate business houses have emerged. These business institutions are playing a significant role in the upliftment of society. Major pioneers of this direction are TATAS, BIRLAS, SINGHANIA, LARSEN AND TURBO, THAPAR GROUP, MODIS, GODREJ, BAJAJ, MAFATLAL, SHRI RAM, RELIANCE, HDFC BANK, ICICI BANK, ITC, INFOSYS, ONGC, NTPC, LUPIN AND SUN PHARMA etc. Corporate social responsibility expenditure incurred in India on various activities envisaged in company law 2013 is discussed below.

• **COPORATE SOCIAL RESPONSIBILITY EXPENDITURE IN INDIA**

CSR Sector	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22	
	Rs. in crore	%age	Rs. in crore	%age	Rs. in crore	%age	Rs. in crore	%age
EDUCATION	8459	41.83	9639	38.60	8559	32.66	8382	32.34
HEALTH	4627	22.90	6841	27.40	9276	35.38	9987	38.51
RURAL GROWTH	3280	16.22	2301	9.21	1851	7.06	1801	6.94
ENVIRONMENT	1560	7.71	1805	7.22	1337	5.10	2837	10.93
OTHERS	2292	11.34	4380	17.57	5188	19.80	2926	11.28
TOTAL	20218	100	24966	100	26211	100	25933	100

Source: - MCA

In the past four years 2018 -22 a total expenditure of Rs. 97328 crore has been incurred by pioneers of corporate social responsibility (CSR) on various activities of social development and environment conservatism. Main area of CSR spending is education and health, which is nearly 2/3 of total contribution. Due to COVID-19 expenditure on rural development has been shifted to health and slum area development. Environment protection has been in the core of CSR spending. Although the various corporate houses have undertaken various social responsibility activities, but the percentage of such business units is very small. Federation of commerce too should issue its ethical code of conduct to meet social responsibility. It is also in the interest of business units as it helps in creating long term positive image in the society.

**Symbiotic relationship:** society provides business with everything they need to function: resources, labour, consumers, and even the legal and regulatory frameworks that govern their operations. Without society business cannot exist. The relationship between a corporate and its environment is one of the mutual benefits. This underlying social foundation often goes unnoticed, but it is crucial for business to acknowledge and respect this fundamental dependence. The outcomes of corporate social responsibility to business are:-

- **Corporate image:**

every organization builds up in course of time a certain image of its own in the minds of the community at large. The community and its various organs evaluate a corporate body's utility and importance in the light of such an image. If it is a good image, it definitely helps the company not merely in selling its products or services but also paves the way for the establishment of proper relations with the Government, the financiers, the suppliers, the workers etc. To some extent the image of the organization will depend upon the extent to which the management takes steps to give proper publicity to the activities of the firm and its contribution towards the welfare of the community or national development etc. But it must be remembered that mere publicity cannot do the tricks. Corporate social responsibility is 90% good work and 10% image building. But if the firm is basically not sound or is not making any worthwhile contribution toward its community it will be difficult to sustain the image for long. On the other hand if a business firm is doing well in relation to the society, but is not communicating with them, its achievements may not get highlighted and its usefulness may not be fully appreciated. Therefore, it is important for the management to pay proper attention to the development of a favorable image for the corporate entity, in the mind of the community at large and the various publics.

- **Corporate sustainability:**

corporate sustainability is concerned with the efficient use of natural resources by the company. It may be viewed as eco- efficiency. Protection of environment has become major element of corporate social responsibility. Green and sustainability initiatives could reduce waste and its associated costs. Moreover companies should promote recycling and renewal of materials. They must introduce processes that minimize the use of natural resources and energy, reduce waste and prevent pollution.

As for Indian scenario is concerned there is only limited number of companies which are showing their sustainability plans and performance to the various stakeholders. Indian corporations are following global reporting initiative guidelines to prepare the sustainability reports. The companies can take following initiatives towards sustainability efforts under corporate social responsibility.

1. Companies must try to use state of art technology.
2. Companies must use solar energy, wind energy LPG and, CNG as these are environment friendly.
3. Natural resources should be used in fair and ethical manner.
4. Awareness programs to conserve the natural resources be undertaken
5. Sustainability issues should be undertaken in actual practice.

- **Consumer equity:**

in the past, the Indian producers used to take the Indian customer for granted. Production oriented concept of marketing which means whatever produced will be bought by the customer was prevalent in the society. But with passage of time, the Indian customer has evolved into a very informed customer. Now the

question in front of retailer is not only how to sell the goods, but also how to retain the customer by creating a pleasing shopping experience for him, especially the profitable ones. Customer equity is the total of the discounted life time values of all the firm`s costumers. Clearly, the more loyal the customers, the higher the customers equity. It has been seen that companies which are socially responsible enjoy increased customer base. Microsoft and Kellogg`s are very concerned about their corporate social responsibility activities. These companies have used positive image building to their maximum advantage by luring customers with their Philanthropic good deeds. The producer needs to understand this very basic but important concept of the business that he needs to keep customer above the financial gains. The financial gain if lost can be regained, but the customer if lost cannot be regained, and he will spread word of mouth among various other people due to which retailer`s image will be damaged. So customer first, profit next.

- **Cost Effectiveness:**

Satisfied worker is a productive worker and they are real appreciable assets of the company. Hardworking employees like to be associated with the companies which are socially responsible. Corporate social responsibility platforms provide employees several opportunities to explore their potential and learn new skills. In fact corporate social responsibility is a very useful strategy as it helps in reducing social tensions and facilitating markets. Corporate social responsibility initiatives by companies generate positive mentions in the media about the company. It can reduce the need for paid marketing and advertising. Green and sustainability initiatives could reduce waste and its associated costs. Moreover such companies promote recycling and renewal of materials. It provides opportunities to such company, and several benefits accrue to the company.

- **Competitive advantages:**

business has the potential to provide a major contribution to our society. A company that behaves in ethical way and serves society in terms of producing the products and services, providing employment and acting an agent of economic development, will definitely get the community support in return, which will be valuable to the success of company. Business ethics allow a company to have a competitive advantage. It increases customer loyalty to the products and services provided by company and resulting in increased profits of company. A company working with transparent systems and towards corporate social responsibility enjoys good reputation among individual investors as well as mutual funds. As a result, company`s stock value increases and its access to investment capital is eased

**Conclusion:** it can be said with certainty that, for corporate social responsibility to maintain its growth trajectory, it is important that corporates recognize the strategic advantages presented by corporate social responsibility and centralize those in their business operations. All business enterprises are occupying a position of importance in all democratic systems. Therefore, a proper understanding of their objectives and responsibilities is acquiring added importance. As an organ of society and as an economic institution functioning in socio-political environment, it will have to justify the expectations of the community. Otherwise, the danger seems to be that the community may try to find a solution to its problems in an alternative institution that may be set up on the debris of business. The fulfillment of social responsibility by a business enterprise is, thus, of critical importance for the survival of any democratic system.



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