

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY AND IRRESPONSIBILITY ON FIRMS' PERFORMANCE

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Abstract

As a part of society, everyone has a role to play so as the corporate. The main reason for that is having the obligation for 'giving back' something good to the society as we all collectively construct a good society .So, those who contributes towards the societal growth are called as responsible ones while those who don't are irresponsible ones .Social responsibility entails legal, ethical, economical and other accountability to expectations that society has towards companies and also make decisions that balance the needs of all. Legal and moral responsibilities should be taken together as the bundle of obligation. There must be intrinsic connection between responsibility, irresponsibility and its accountability. CSR has become a fundamental business practice and has gained much attention from the management of the companies. It facilitates the alignment of business operations with social values. On the other hand, CSI is when things go wrong in relation to profitability, the environment, and people (customers, suppliers, or employees).It is an emergent and growing subject area. Through this paper, impact of CSR and CSI is going to be examined and explained. Taking the evolution of CSR as the starting point, linking CSR and CSI to accountability, considering it just as other primary functions for the benefit of the society, some suggestions for accelerating CSR initiatives will be taken as the concluding point of the paper.

INTRODUCTION

According to **The World Business Council For Sustainable Development**, "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

In the words of **A.P.J. Abdul Kalam** —"Corporate decision making and policy making is linked to ethical values, compliance with legal requirements and respect for people, communities and the environment around the world."

At present, CSR is evolving. Companies seek to define new ways to contribute to sustainable development in order to improve their image, but also their performance and their chances of investment and thriving in the long term. CSR is also benefiting from technological and economic developments and the best practices today are likely to change very rapidly. Taking into account the need of a sustainable development, Corporate Social Responsibility (CSR) has become an extremely important subject not only for companies but also for communities and public policy .Nowadays it is very important to start doing business in a responsible way. In this context, CSR has grown in importance for organizations because their most important stakeholders expected that through their work they aim not only economic, but also environmental, social and community issues, which are relevant for them. In a globalized economy, taking into account the fierce competition, CSR is often considered a very important premise for business to gain and sustain competitive advantages. The

concept of corporate social responsibility has gained prominence from all avenues. Good corporate governance means governing the corporation in such a way that the interests of the stakeholders are protected whilst ensuring that the other stakeholders' requirements are fulfilled as far as possible.

On the other hand, there is Corporate Social Irresponsibility which can be defined as business doing wrong in relation to the environment, community, society, ethics, and business practices. CSI is something that businesses should aim to avoid. Corporate Social Irresponsibility is opposite of Corporate Social Responsibility and revolves around companies being irresponsible through various means.

OBJECTIVES

1. To understand the role of responsible as well as irresponsible companies in the society.
2. To examine the effects on the performance of all such companies which are enriched with qualities like ethical, moral, and legal values and those who lack these qualities.

HYPOTHESES

1. Drawing a parallel connection among responsibility, irresponsibility, and accountability.
2. Outcomes and effects of being responsible or irresponsible.
3. Being accountable for the aforesaid outcomes.

JUSTIFICATION OF THE STUDY

CSR has now new trends or may be called as changing trends which is in the form of concrete responsibilities which was previously treated as charity only. Now, every firm must have to be accountable for the happenings for which it is responsible or even if it is the outcome of its irresponsible behaviour.

1. Evolution of CSR

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR.

First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. In these phase businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. This led to enactment of legislation regarding corporate

governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

Fourth Phase

In the fourth phase (1980 - 2015) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

2. CSR as Primary function:

Deloitte says "organizations are no longer assessed based only on traditional metrics such as financial performance, or even the quality of their products or services. They are increasingly judged..their impact on society at large-transforming them from business enterprises into social enterprises." Moreover, a study shows that only 18 percent of organizations put social responsibility as a top priority, yet 77 percent say it's "important".

Corporate Social Responsibility initiatives benefit both the company as well as the environment (ecological and social) in which they live in.

A commitment to corporate social responsibility is no longer optional. Companies need to understand that CSR affects their internal (employee engagement, productivity, turnover rate) and external (increased sales, customer loyalty, brand awareness) growth. By creating and participating in CSR initiatives, companies have the opportunity showcase their core values and create trust among your employees and your buyers.

Applicability: 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.

3. Linking CSR and CSI to accountability:

Responsibility and Accountability

Corporate Responsibility often indicates voluntary approaches whereas Corporate Accountability usually refers to more confrontational as well as enforceable strategies of influencing corporate behaviour caused due to external factors such as pressure exerted by social and political environment

Advantages:

1. Competent and Confident: Those who are responsible and accountable for their action are found more competent in completing their assigned jobs effectively and efficiently. It builds some kind of positive attitude & they become more confident.
2. Innovation and Creativity: Companies which has ethical as well as legal values are found more creative and innovative.

Irresponsibility and Accountability

The focus of Corporate Social Irresponsibility is on business that behaves in a less than ideal way with regards to their legal obligation, ethical commitments, and the consideration they give to economic, social, and environmental factors.

Disadvantages:

1. Negative impact on society: Irresponsible attitude of any company towards society can never be fruitful. It draws a negative impact on society and as a result starts declining with its bad performance.
2. Difficult to sustain: It becomes very hard for any company to sustain in the society which is not responsible at all and making the society unhappy.

CONCLUSION:

Corporate Social Responsibility is a way of getting companies to honor the expectations of the very society that provide it with the means to conduct business operations in a fruitful manner. The legislation and subsequent rules enacted, though good in intent, suffer from certain shortcomings that could have widespread implications for the CSR scene in India. If a society is to hold businesses accountable in a quid pro quo fashion (which is how CSR works), then conditions must be made ambient for businesses to fulfil these responsibilities willingly, with a sense of incentive and initiative for the same. CSR can be called as the offspring of Business Ethics. CSR mainly focuses on social, environmental and sustainability issues other than morality. Organizations must have to realise that government alone will not be able to get success in its endeavour to uplift the downtrodden of society.

Initiatives for accelerating CSR:

1. Business should embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.
2. CSR-focused business should proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public, regardless of legality.
3. CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business.
4. Companies must have to look for new ways to make their efforts known and to add public value to them.
5. Organisations have to build a deep understanding for mutual benefits.

KEY TAKEAWAYS :

The advantages or benefits for organisations that promote CSR are as following:

1. Positive impact on the society.
2. Better reputation of business and growth i.e. improved public image.
3. Loyalty of customers to such organisation is comparatively very high as compared to the Corporate Social Irresponsible ones.
4. Increases employees satisfaction & hence have greater ability to attract talent and retain staff.

* The key is to find a symmetry between the two sides and being open enough to understand issues both from a business and a societal perspective.

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