

## A STUDY OF SOCIAL RESPONSIBILITIES AND ETHICS FOR BUSINESS: WITH REFERENCE TO SOME MNC'S.

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### **Abstract : -**

*Whenever we take something from others it is our responsibility to compensate them in any form. This applies to companies and organizations in our society too. When company uses resources from society, they should give different services in return. For this purpose, government made compulsion to organization through Corporate Social Responsibility program. There are traditional and modern view of social responsibility. Law also provided many provisions regarding corporate social responsibility which are helpful to society mainly. Many large business organizations are following policies of corporate social responsibility. While following implementation of social responsibility, organizations have to follow code of conduct, specific behavior, values and principles. This concept is called as ethics of business. For protecting stakeholders, safeguarding customers interest ethics are needed.*

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### **Introduction: -**

- Ethics means the study of what is right and wrong in human behavior. Ethics for business also a part of business. Its control business activities. From this view corporate social responsibilities born. This concept born in 1950's in the USA There are social problems like poverty, unemployment, increased pollution and fall in dollars prices. Many groups from society demanding for Corporate Social Responsibilities. In India Corporate Social Responsibility Concept has been introduced by the Companies Act, 2013. CSR gives benefits to Local developments such like road constructions, cleaning in local area of company. It also boosts to education development, Sports and research. In directly its assist to Country's Government in growth of countries various factors. Company gets benefits in Tax; government give subsidies to such company. CSR creates a brand of Company in Workers, shareholders, customers and society too. In brief CSR is necessary for country growth and development all point of view like economically, educational, research, basic development of infrastructure.

### **Review of Literature : -**

Companies do not perform in isolation from the community around them. Mostly basic facilities to conduct business depend on conditions and operational area of business. Improving living conditions, providing proper compensation and resettlement are the primary responsibilities of the corporates. But while implementing the projects indifference of corporate towards local people can create social problems. So modern principles should be followed to create balance between corporation and society. Social responsibility can be done

towards different interest groups in the society. Social responsibility for the industrialization of tribal areas of eastern India is done for NALCO. Corporate social responsibility is also emerging in India. Corporate social responsibility is also a way for better corporate governance. For each country opportunities and challenges for social responsibility are different because of various backgrounds. For Indian context CSR activities are driven by the developmental needs of the Indian communities (Sudhansu and Rajan).

Business ethics concept arose in 1960s as companies became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes and corporate responsibilities. Behaving ethically in business is widely regarded as good business practices. Business ethics has its features and principles which shows how they are important for all stakeholders which include employees, shareholders, government and society. Now a days ethics has been an important part of economic environment in the twentieth century. Business ethics plays vital role at workplace. This enables management to treat all employees as equal and think from their perspective as well, (osou.in). Most of the business houses in India like Reliance group, Adani group, Tata group, Mahindra group, Bajaj group are providing much attention towards need and importance of Social Responsibility.

#### **Objectives of paper : -**

This paper throws light on following objectives

1. To discuss the social responsibilities of business.
2. To study Traditional and Modern View of Social Responsibility.
3. To study business ethics and its need.
4. To analyze social Responsibilities toward different Interest Groups.
5. To understand provisions regarding Social Responsibility and Ethics in The Company Act, 2013.
6. To study the policy adopted by different Multinational Corporations in India.

#### **Key words: -**

8 Social responsibility, Business, Ethics, society, shareholder, stakeholders, Reliance Group, Bajaj Group, Adani group.

#### **Meaning & Importance of social responsibilities:**

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called [corporate citizenship](#), companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

Because of CSR strategies many people attract towards various companies. CSR strategies of company shows organizations is treat all people, including employees well. Better CSR efforts help foster more positive work environment. If social responsibility concept taken seriously can win consumers and also develop platform for market and

attraction of their audience. Many consumers are willing for paying more for product if the organization focuses on environment sustainability.

### **Concept of Social Responsibility : -**

Business uses many resources from the society and make their outputs. Different classes are there in society and these classes hopes something in return from businesses. Due to this business and society form interrelation between them. So, this scenario gave rise to concept of Social Responsibility. Corporate social responsibility says that there are important social role companies have in different parts of the society which are directly or indirectly affected by company.

Main areas for social responsibility are employment generation, health, education, poverty eradication. Government also supports and encourage these activities and encourage businesses to do CSR. Companies are also happy to contribute toward social responsibility because they get large tax benefits. When companies make contribution towards social responsibility through health, education society gets improved and ultimately corporate will get better workforce as employees.

### **Traditional Vs Modern view of social responsibilities :**

Certain economic and legal responsibilities. The organization does what it's obligated to do and nothing more. This idea reflects the classical view of social responsibility, which says that management's only social responsibility is to maximize profits.

In traditional social responsibility, business owners help poor and backward people from the profits made by them. The scope of operation is at lower (Micro) or individual level. Traditional view includes philanthropic concept which has giving tendency. This type evolved in ancient India. Goals included in traditional social responsibility were tangible. Mostly due to tangibility the were narrowly defined.

Modern view of responsibility corporations and organizations commit that they will work with ethics and welfare of the society be taken into consideration for better developments in the society. The scope for operation here is macro level (whole economy). Along with philanthropy ethical, economic, and legal concepts are included. After the World War II, support of large organization for the development was felt needed. Because of this need social responsibility from corporate side comes into the picture. Tangible and intangible both types of goals are included in this type of social responsibility. As intangible goals are also included in modern view modern view become broadly defined.

### **Business Ethics :**

The term ethics come from word ethos which refers to character or customs or accepted behavior. Ethics include principles, values and belief which define right and wrong decisions. Ethics is set of principle of human conduct that governs behavior of individuals and organizations. Business ethics refers to standards for morally right or wrong conduct in business. Business ethics are established to increase and development of honesty among their

employees and gain trust from stakeholders like government, suppliers, customers, creditors, investors and society. It includes applied ethics or professional ethics which checks moral or ethical problems and ethical principles.

#### **Need of Ethics in business :**

**1. Restricting business malpractices:** - business owners may use malpractices like black marketing, artificial high pricing, selling duplicate, illegal, harmful products. Business ethics helps to avoid these malpractices.

**2. Safeguarding customers confidence:** - Customer's right may not be protected by business owners. So, ethics of business when followed, the confidence about products increases in buyers.

**3. Protecting Stakeholders:** - along with customers different stakeholders are also important for any business. The survival of business is not possible without these stakeholders. For the purpose of protection of these people ethics are important.

**4. Developing good relation:** - for proper relations between business and society ethics are needed. Ethics used results in profits and ultimately in economic growth of country.

#### **Social Responsibility Towards Different Interest Groups : -**

Important interest group for social responsibility includes shareholders or owners, workers, consumers, government and community.

- 1. Shareholders or Owners Group:** - Business organizations must provide their shareholders regular, correct and fair information about books of accounts, their future growth and plans. Investor's interest must be safeguarded.
- 2. Worker's Group:** - different opportunities to the workers create social responsibility. Businesses should try to give right conditions for working. Proper behavior fair wages for workers are also part of social responsibility.
- 3. Consumer's Group:** - right quality, better quantity with reasonable prices to consumers is responsibility of business organizations. Providing correct information, hazardous consequences, feedback, queries of consumers and making them satisfy are included in social responsibility for consumers.
- 4. Government and Community:** - Following the norms given by government is responsibility of corporations. Different laws, paying taxes honestly are important for every business. Cleaning of waste water released in water reservoir, filtering smoke released in air, reducing all types of pollution, arranging awareness campaigns in society, developing programs for reducing poverty, improve education are done for community by corporations under Social Responsibility.

#### **Provisions regarding social responsibilities and ethics in Company Act, 2014 :**

- 1.** India's new Companies Act 2013 (Companies Act) has introduced the provision for Corporate Social Responsibility (CSR). 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.
2. Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014 and certain amendment in May 2016.
  3. Section 135 of the Companies Act 2013 provides the threshold limit for applicability of the CSR to a Company:
    - (a) net worth of the company to be Rs 500 crore or more; or
    - (b) turnover of the company to be Rs 1000 crore or more; or
    - (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.
  4. CSR Committee and Policy: Every qualifying company requires spending of at least 2% of its average net profit (Profit before taxes) for the immediately preceding 3 financial years on CSR activities in India. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company
  5. Activities under CSR: The activities (in areas or subject, specified in Schedule VII) that can be done by the company to achieve its CSR obligations include: Schedule VII of Companies Act 2013
    - (I) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the 'Swachh Bharat Kosh' set up by the Central Government for the promotion of sanitation and making available safe drinking water:
      - (ii) promoting education, including special education and employment enhancing vocation skills specially among children, women, elderly, and the differently able and livelihood enhancement projects;
      - (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
      - (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, Argo forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the 'Clean Ganga fund' set up by the Central Government for rejuvenation of river Ganga ;
      - (v) protection of national heritage, alt and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
      - (vi) measures for the benefit of armed forces veterans, war widows and

their dependents; (vii) training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;

(viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; (ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government; (x) rural development projects; (xi) Slum area development.

### Policy of general MNC: -

**A. Tata Motors:** - They spend 3.34 crore in Covid-19 for extending support to those in need, education masses for containment and protection. They provide 1,00,000 masks, 250 Hospital Bed. E-learning support at BMC schools under a partnership based on its 'More from Less for More' by reaching 14,000 students, 550 teachers, 191 schools, Rs. 125 cost per student.

**2. Ambani group:** Mission Anna Seva was conducted by **Reliance Industries** which assured daily wage, police personnel, migrant laborers. More than Rs. 5.5 crore meals distributed till date to over 27+ beneficiaries through 1,000 beds COVID care facility set up in Jamnagar, 875 beds managed by RFH (Reliance Foundation Hospital) in Mumbai.

**3. Adani Group:** Cost free quality education to more than 2,100 students annually. Over 1,00,000 children through 600 government schools and balwadis. The government of Gujrat approved **Adani Foundation's** proposal to adopt Government Primary Schools in the Mundra taluka in Gujrat cover seven villages.

**Gyanodaya** is an online education initiative by Adani Foundation, helping students from rural areas to learn more efficiently in Jharkhand's Godda district.

**Gujarat Adani Institute of Medical Sciences (GAIMS)** is first Public-Private-Partnership between Government of Gujarat and Adani Education and Research. **G. K. General Hospital (GKGH)** is the attached teaching hospital which is Multi-Specialty Modern Teaching District Hospital in Kutch district, which include 750+ beds and 14+ operation theaters.

**4. Mahindra and Mahindra:** - **Project Nanhi Kali** is flagship project which impacted 4,50,000 girls from country through 6,001 academic support centers, in 9 states. This project provides 360-degree support to girls from Class 1 to 10.

Through **Mahindra Pride School** with 100% placement record, the 9 schools in Pune, Patna, Chandigarh, Srinagar, Hyderabad, Varanasi and Three in Chennai, trained and placed 6,045 students in 2019-2020. Till 2021 39,280 youths trained through this program.

**5. Bajaj Auto:** - **Bajaj Education Initiative (BEI) and E-learning Project.** This BEI is mix of private and government schools in Pimpri Chinchwad area of Pune. The E-learning project has reached more than 1,550 schools covering Maharashtra and Rajasthan. **Bajaj Auto and**

**YCMH Hospital** operating the ART center in YCMH hospital which supports more than 5,000 patients currently.

### **Impacts on Indian Economy:**

1. Due to program of social responsibility there was development of industrialization in the tribal area of India. Government is also supporting for activities like this which helps for improvement of these backward areas.
2. Better corporate governance is applied in the business which improves the responsibility of business organization towards social responsibility. Due to provisions of company act it is now compulsory for corporate to contribute towards corporate social responsibility.
3. As part of social responsibility good education, better health facilities provided, developments in backward areas youths get better opportunities for employment and ultimately this helps to improve the standard of living of people in backward areas.
4. Social responsibility increases empowerment of rural women through the small types of credit and small organizational programs. Credit access for landless farmers, agricultural workers and oral lessees are given through Joint Liability Group and Rythu Mitra Sanghas.
5. Due to some ground level problems and unavailability of resources it is difficult for the government to fulfill daily requirements and essentials of society like cleanliness, traffic jams, vaccinations and hospitals. Compulsion of social responsibility by government helps to solve these problems in the surroundings of company.
6. Many corporates spend money on social responsibility as part of their business and not as compulsion. This responsibility is now the part of strategic planning of businesses which improve the creditability towards society.
7. Along with education and health, Corporate Social Responsibility includes sports, electricity, and contribution towards different government funds. Large contributions done by corporate can be used for social development, emergency crises like pandemic in the society.
8. Due the CSR policies quality of air, soil, water in the area of business is improved. Also, the ecosystems in surrounding are also improving. When the surroundings are better business can be done effectively and efficiently. So Social Responsibility ultimately helps the business itself.

### **Conclusions: -**

1. Corporate Social Responsibility is smaller concept which part of corporate Governance. Poverty reduction and sustainable development is not possible by government alone.
2. The people who are making the policies for the private sector are more focusing on for achieving the objectives of fulfilling which are not fulfilled by Government.
3. The CSR can be used as contribution made towards the sustainable development by the organizations. These developments can be sustained for generations and generations.
1. When companies earn certain amount of profit they have to contribute compulsorily for the purpose of social responsibility. For this special provision is also made in The

- Company Act, 2013'. Companies are responsible for shareholders and stakeholder as they are also contributing towards the company.
2. CSR is widely occupied for various developments like education, health, poverty eradication. So, through social responsibility companies are creating space for increasing the relationship of society and business. This relationship works at regional, national and local level with appropriate and proper language.
  3. When company works from social responsibility view then indirectly, they create better image in mind of people in the society. Because when people saw the program done by companies' different image of company is get created which helps to improve the sales of company.
  4. The aspects of Social Responsibility are developed in such a way that it covers all essentials of society, reduces pressure on government, and also develop the behavior pattern of business which ultimately increases the sales.

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**Note: -** All the provisions regarding social responsibilities and ethics are taken from notification of Ministry of Corporate Affairs for Section 135 and Schedule VII of The Company Act, 2014 as it is.