

# Corporate Social Responsibility and Role of Professionals

*“The industry should regard themselves as trustees and servants of the poor”- Mahatma Gandhi*



With the increasing thrust on best governance practices, there is renewed emphasis on 'corporate social responsibility' (CSR). Enlightened managements have been embracing an extended role of trusteeship for the society. With a view to strengthen the trend, the Companies Bill, 2012, which has been passed by Parliament and is awaiting Presidential assent, also makes it mandatory for the corporate sector to discharge its social responsibility. The corporate sector depends on professionals for governance, management and growth. Professionals like advocates, chartered accountants, company secretaries and cost accountants, whether in practice or employment, can significantly contribute in discharge of social responsibilities. In this context, an attempt is made in this article to discuss the concept of corporate responsibility, role of professionals and some suggestions for business excellence.



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With the growing importance of corporate governance and excellence, corporate social responsibility (CSR) has become a part of business strategy for value addition and sustainable development. The core values of the corporate sector are shaped around the belief that business exists, earns and grows to serve society. Enlightened managements have been embracing an extended role of trusteeship that reaches beyond the assets reflected in the balance sheet to encompass societal assets. The twin objectives are maximising shareholders' wealth and extending a helping hand to society.

## **Business and Society**

“Corporate Values” are the qualitative statements, which help directors, professionals and officers remain

focused on the organisational values in their respective capacities. Business Excellence is the process of value addition by efficient use of productive resources—manpower, raw material, machinery and capital—into goods and services to satisfy both material and welfare needs of society.

### Business Models

There are two divergent schools of thought and business models on the role of a corporation. The conventional model focuses on the profit-making function of a corporation, whereas the modern model corporation has been created by society to sub-serve the larger interests of the society's profits by efficient use of resources.

### Doctrine of Trusteeship

Mahatma Gandhi in his doctrine of trusteeship has advised trade and industry that *“Earn your crore by all means, but understand that your wealth is not yours; it belongs to the society. Take what you require for your legitimate needs, and use the remainder for the benefit of the society. Transform your position of ownership into that of a managing trustee. This implies a transmutation of self-interest into corporate interest and corporate interest into social interest. You should continue to retain stewardship over the business raised by them—but for serving the larger social interest. You become a leader in the truest sense.”*

Simply stated, the concept of trusteeship meant that all resources available to man, both tangible (material) and intangible (talent, values and virtues) should be utilised for the collective benefit of society, regardless of who owns what property. The Mahatma clarified his trusteeship concept: *“Supposing I have come by a fair amount of wealth either by way of legacy, or my means of trade and industry. I must know that all that wealth does not belong to me; but what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community.”*

### Corporate Social Responsibility

“Corporate Social Responsibility” is the commitment of businesses to contribute for sustainable economic development by working with the employees, local community and society at large to improve their lives in ways that are good for business and for development. It is the contribution of the corporate

sector for philanthropic causes like education, health, water, environment and community welfare.

The focus of corporate governance is on maximising the shareholders' value while ensuring fairness to all stakeholders. Stakeholders encompass all individuals or groups in society, who are directly or indirectly interested or affected by the activities of business and vice-versa in the present or in the future. Companies reach out to their stakeholders to establish a firm rapport through which ideas and issues flow back to each other.

There is renewed focus on CSR—commitment of businesses to contribute for sustainable economic development by working with the employees, local community and society at large to improve their lives in ways that are good for business and for development. It is the contribution of the corporate sector for social causes like education, health, water, environment and community welfare in and around its areas of operation. CSR has now become an integral part of corporate culture and core responsibility of the board of directors.

The core values of business have to be shaped around the belief that business exists, earns and grows to serve society. Enlightened management has to embrace an extended role of trusteeship that reaches beyond the assets reflected in the balance sheet to encompass societal assets. At the heart of the value system should be an unwavering commitment to integrity, ethical conduct, meritocracy and abiding concern for stakeholders.

In India, enlightened and renowned business houses like Tata, Birla, Azim Premji and Hindustan Lever have been voluntarily undertaking social welfare projects. In the present context, these companies are shining examples of directly discharging CSR.

Earlier, companies used to support community initiatives with money and gifts in kind. The management offered donations to schools, trusts and charitable foundations working for social welfare projects with the objective of an image-boosting exercise as socially responsible management. The

**Professionals can effectively help in compliance with the legal and regulatory framework of companies in letter and spirit by true and fair financial disclosure and tax compliance. They can also advise on the best corporate governance practices, business values, policies, plans, execution and discharging social responsibility.**



**Committee for Members in Industry (CMII)**  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)

**Launching of**  
**E-Learning**

**on the topics-Business Etiquette  
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Over the past several years, E-learning has assumed growing importance as a new approach to continuing education. So, CMII has taken an initiative by introducing E-learning to provide learning at their door step to its members to update their knowledge. This is being done considering the fact that members in Industry find it difficult to attend seminars and conferences due to their work pressures and located at distanced places.

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Smart behavioural techniques in the business which is not taught in the conventional teaching. Duration 6 hours (approx.)

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Effective & better ways to prepare for an interview to make it work all the time. Duration 5 hours (approx.)

We at CMII, wish you a very knowledgeable and enriching experience.

With best regards,

**CA. Vijay Kumar Gupta**

Chairman

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choices were usually dictated by the chief executive's social sensibilities or the priorities set out by the board of directors. Such donations were used more as a public-relation building exercise rather than commitment and genuine concern for social welfare.

The present trend is towards commitment and involvement in socially desirable activities and sustained support by engaging the unique skills and capabilities of business executives for achieving the goal. Enlightened business houses have not only created wealth but also aligned themselves with community development work. Their underlying object is to ensure that socio-economic welfare projects promoted by them become self-sustainable by involving the local community from the concept to commissioning. In this way beneficiaries successfully take over and manage the project on their own.

Companies and their employees are actively involving and participating in social welfare projects rather than cheque-book philanthropy. In fact, companies are encouraging their employees to take time off from work for social welfare activities and take on record the man-hours put by them.

### Harvard Business School Oath

The Harvard Business School and other renowned business schools, considering the importance of corporate social responsibility for executives, administer the following oath to their students on completion of the MBA programme:

*"As a manager, my purpose is to serve the greater good by bringing people and resources together to create value that no single individual can create alone. Therefore I will seek a course that enhances the value my enterprise can create for society over the long term. I recognise my decisions can have far-reaching consequences that affect the wellbeing of individuals inside and outside my enterprise, today and in the future. As I reconcile the interests of different constituencies, I will face choices that are not easy for me and others.*

*Therefore I promise:*

*I will act with utmost integrity and pursue my work in an ethical manner.*

*I will safeguard the interests of my shareholders, co-workers, customers and the society in which we operate.*

*I will manage my enterprise in good faith, guarding against decisions and behaviour that advance my own narrow ambitions but harm the enterprise and the societies it serves.*

**Professionals can be immensely helpful in CSR initiatives by advising on business models where profit making and social welfare go hand in hand. They can effectively advise on preferred local areas around the operations of companies for spending the amount earmarked for CSR activities.**

*I will understand and uphold, both in letter and in spirit, the laws and contracts governing my own conduct and that of my enterprise.*

*I will take responsibility for my actions, and I will represent the performance and risks of my enterprise accurately and honestly.*

*I will develop both myself and other managers under my supervision so that the profession continues to grow and contribute to the wellbeing of society.*

*I will strive to create sustainable economic, social, and environmental prosperity worldwide.*

*I will be accountable to my peers and they will be accountable to me for living by this oath.*

*This oath I make freely, and upon my honour."*

### Legal and Regulatory Framework

The progress of any nation depends on the way the country's governance aligns with the social and economic environment. The underlying object of any legislation is to facilitate and reinforce the good governance practices for achieving the desired goals.

### Companies Bill, 2012, makes CSR Mandatory

The Companies Bill, 2012, makes it mandatory for companies to discharge their social responsibility. The Bill provides that companies with (i) net-worth above ₹500 crore, or (ii) annual turnover of over ₹1,000 crore, or (iii) net profit of ₹5 crore, in a fiscal year, shall earmark and spend, in every financial year, at least 2% of average net profits made during the three immediately preceding financial years, in pursuance of their Corporate Social Responsibility Policy. These companies, in case of default, will have to report the reasons. The infringement of the provision shall attract a fine of not less than ₹25,000 and upto ₹25 lakh. Also, every officer of the company in default may also be punished with imprisonment for a term up to three years, besides the fine.

The CSR activities of companies should be directed in and around the area in which the companies operate and wherefrom they draw their resources to generate profits. The underlying logic is that that companies



Committee for Capacity Building of CA Firms and  
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**The Institute of Chartered Accountants of India**  
(Setup by an Act of Parliament)

## BUSY Accounting Software

The Institute of Chartered Accountants of India (ICAI) & BUSY Infotech Pvt. Ltd. has entered into an arrangement for the latter to provide BUSY-The Complete Business Accounting Software (Multi-user) at a discounted price to the registered CA members of ICAI.

### Offer Price:

The discounted rate offered is Rs. 4500 + Tax as against the original list price of Rs. 27000 + Tax. The Company will also provide free of cost training (off-site) & product updates of BUSY within same version as and when released.

### Key Highlights of BUSY:

- Quality-proven MS Access database instead of proprietary databases
- Extensive operational checks and control features for efficient working
- Comprehensive Stock management (Parameters, MRP, Serial Number and Batch )
- User Configurable Invoicing & Reports
- Data Checklist is maintained and access rights for users can be defined
- Tax Category Master to update tax rate changes
- MIS & Multi Company Accounting
- E-mail / SMS / Data Export

### Features & Functionalities:

#### Robust Financial Accounting

- All Books of Accounts and final results with Annexures
- Bank Reconciliation / Interest Calculation
- Broker-wise Reporting / Royalty Calculation

- Bill-wise Outstanding Reports with Ageing Analysis
- Depreciation Chart as per Companies Act / Income Tax Act
- Handling of Post-dated Cheques (PDC)

#### Exhaustive Inventory Management

- Supports Multiple locations and Multiple Stock Valuation Method
- Sales / Purchase Challan
- Item-wise Discount & Mark-up Structure
- Multiple Price-Lists for Items

- Supports Manufacturing features like BOM, Production Planning and Variance Reports
- Unlimited levels of grouping of Items with option to specify alternate unit
- Item-wise Discount & Mark-up Structure
- Item Barcoding

#### Detailed Statutory Reports

- All Statutory Reports (CST, VAT, Excise, Service Tax, TDS)
- Mfg / Trading Excise Registers

- State-specific VAT Reports (with e-Return)
- Configurable Statutory Registers
- Service Invoicing

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benefitting from allocation of natural resources like land, water and electricity at concessional price, cheap bank loans and tax exemptions, discharge their social responsibilities. The corporate sector, as socially responsible citizens, shall contribute for social welfare and achieve sustainable growth.

### Voluntary Guidelines, 2009

The Corporate Social Responsibility Voluntary Guidelines, 2009 (Guidelines), issued by the Ministry of Corporate Affairs, *inter-alia*, provided that companies by integrating social, environmental and ethical responsibilities into the governance of business, ensure their long term success, competitiveness and sustainability. The approach also reaffirmed that business is an integral part of society. The business has to play a critical and active role in sustenance and improvement of health and ecosystems, in fostering social inclusiveness and equality, and in upholding the essentials of ethical practices and good governance. This also makes business sense because companies with effective CSR create their image as socially responsible citizens. The positive social image helps companies achieve the consumer's patronage for their products and services and achieve sustainable growth.

The emphasis of the Guidelines is on each business entity formulating a CSR policy to guide its strategic planning and providing a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy is to be framed with the participation of executives at various levels and approved by the Board. The core elements of the Guidelines are:

1. Care for all stakeholders
2. Ethical functioning
3. Respect for workers' rights and welfare
4. Respect for human rights
5. Respect for environment;
6. Activities for social and inclusive development.

The implementation strategy of the Guidelines provides that the CSR policy of the business should include identification of projects/activities, setting measurable physical targets with timeframe, organisational mechanism and responsibilities, time schedules and monitoring.

**Professionals can very effectively advise on viability of public-private- partnership (PPP) and corporate-aided community projects and ensuring that the projects contribute to socio-economic development.**

It expected that proper implementation of CSR regulations will culminate in the private corporate sector spending over ₹10,000 crore every year for welfare projects.

### Practical Advantages of CSR

Market forces are making CSR a crucial component of value creation. The corporate sector has been reaping the rewards of discharging CSR, in terms of enhanced profitability, brand and reputation. The key advantages of CSR for the corporate sector include:

- (i) Demonstrating company's commitment to CSR
- (ii) Recognition as socially conscious and responsible corporate citizens
- (iii) Enhancing brand image by winning consumers' patronage for the quality of goods and services
- (iv) Demonstrating transparency in functioning as the stock market index rises with the news of good performance and falls with bad news like involvement in corrupt practices.
- (v) Receiving good response from investors as investors reward socially responsible companies while making investment decisions.

### Role of Professionals

The following terms are clarified to discuss the role of professionals in CSR ventures:

“Profession” is a body of knowledge, intellectual skills, training and standard of conduct appropriate to a member of a profession like medicine, law, accountancy, architecture, engineering, etc.

“Professional” is a member of a professional body, who possesses expertise, ethical and moral values. Professional characteristics include:

- Body of specialised knowledge and skills within a framework of values;
- Observing self-subordination, honesty, uprightness at work place and profession and rendering service to society.
- Thrust on expertise to excel rather than monetary gains;
- Relationship of trust and beneficence with clients;
- Institution to regulate admission and conduct of professionals on legal and ethical standards; and
- Commanding public recognition for independence, integrity, credibility and authority in professional services rendered.

“Professional Code of Conduct” prescribed by a professional body is the standard of behaviour for its members in discharge of their duties and responsibilities. Code of conduct helps members remain conscious of

**Professionals can prove to be very effective in achieving CSR objectives through their advice on voluntary Integrated Reporting which is a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability.**

the value system of their profession and promote a sense of fidelity within and outside the profession.

“Professional Ethics” are values comprising knowledge and competence, spirit of service and care to society, contract of commitment and confidentiality with clients.

The corporate sector depends on professionals for governance, management and growth. Professionals like advocates, chartered accountants, company secretaries and cost accountants, whether in practice or employment, can significantly contribute in discharge of social responsibilities as under:

- (i) Complying with the legal and regulatory framework of companies in letter and spirit by true and fair financial disclosure and tax compliance.
- (ii) Advising on the best corporate governance practices, business values, policies, plans, execution and discharging social responsibility.
- (iii) Advising on business models where profit making and social welfare go hand in hand.
- (iv) Advising voluntary Integrated Reporting (IR).

The King III Code on Governance for South Africa released in September 2009 defines IRs as "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability". The object of IR is to demonstrate the linkages between an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates. IR by reinforcing these connections can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organisation is really performing. It provides a clear and concise representation of how an organisation demonstrates stewardship and how it creates value, now and in the future. Integrated reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent form.

- (v) Advising on preferred local area around the operations of companies for spending the amount earmarked for CSR activities.
- (vi) Advising on viability of public-private-partnership (PPP) and corporate-aided community projects and ensuring that the projects contribute for socio-economic development.

### Suggestions

It is normal in a welfare state for business to contribute to the public good like strengthening education and health delivery systems, alleviating poverty, helping the handicapped, giving less-privileged children a better future or furthering the cause of Indian business at the collective level.

It is high time that businesses should realise the values they stand for and to lay down their mission, vision, goal and objectives. The next step is to integrate corporate social concerns into business planning and strategy. Coherent planning and strategy, based on integrity, sound values and a long-term approach, will contribute not only to the growth of companies but also the welfare of society. Business values are standards of behaviour that if correctly articulated, believed in and practiced, lead organisations to success.

Prof. C.K. Prahalad in '*Fortune at the Bottom of the Pyramid*' calls for corporations to design products/ services for the enormous population at the bottom of the pyramid. The basis assumption is that this segment of population also has some disposable income and firms can still make profit on large volumes by manufacturing and selling tailor-made products having demand in rural areas. The other aspect is to create wealth at the bottom of the pyramid, by increasing the disposal income and buying power in rural areas. For example, companies can buy artisans' products and use these for corporate gifts. Companies can also facilitate spreading wealth by convening meetings, conferences and professional development programmes in rural areas rather than five star hotels in metropolitan cities.

In India, the emerging business environment offers unprecedented opportunities and challenges to the corporate sector for value addition through excellence. There is realisation that profitability and growth of the corporate sector should contribute to economic progress and social welfare. It is, therefore, in the best interest of companies to pursue and support the following socio-economic development activities:

### Good Health and Medical Facilities

Health is an inalienable part of the fundamental right to life, but in India this is rather neglected. Moreover, good health directly contributes to productivity and efficiency in organisations. India, however, has one of the lowest levels of governing health spending (4%) of GDP. As such, considerable investment is required in the public health sector, particularly for primary care, nursing and availability of drugs at an affordable price. Against this backdrop, it is the first and foremost social responsibility of business to contribute for setting up hospitals and health facilities, making available cheap generic drugs to the communities, particularly around its business activities in rural and semi-rural areas.

### Education, Training and Skill

Quality of life depends on education, training and skills of manpower. As such, the second priority is the need to provide education, training and developing skills of the vast unemployed population of the country.

Investment in education is an investment in the future of the nation. It is, however, unfortunate that despite enactment of the Right to Education and various schemes to promote primary education in India, a large number of children are deprived of schooling. The corporate sector can make a significant contribution for the cause of children's education, and enable India realise its full potential by nurturing the capabilities of her future citizens. Companies can set up in rural areas primary and teacher training schools, provide mid-day meals, libraries and computers.

India is the second most populous nation, having a vast youth population in the productive age. With the increasing shift of manpower from agriculture to the industrial sector, the biggest challenge in India is to bridge the skill gap for employability of 40% of the youth. The value added by manufacturers has not kept up with the number of unemployed. The Government has approved the 'National Vocational Education Qualification Framework' for enhancing capacity of youth for gainful employment. The corporate sector can interact with schools and universities to develop appropriate curricula for diplomas and imparting the requisite training and skills to unemployed youth. The participation of the corporate sector will help the nation harness the energy of trained manpower and improving the quality of life. Nobel Laureate Prof. Amartya Sen has rightly remarked: "*Growth of GNP or of individual income can be very important as a means of expanding the freedoms enjoyed by the members of the society. But freedoms depend also*

*on other determinants such as social and economic factors like facilities for education and health as well as political and civil rights.*"

### Environment

Environment refers to natural surroundings in which an organisation operates, including air, water, land, natural resources, flora, fauna, people, outer space and their interrelationships. In India, unprecedented growth of industrialisation has resulted in depletion of natural resources and deterioration in the quality of air, water and soil. There is growing realization that in India, quality of life has been deteriorating because of ecological imbalances and global warming. The exploitation of nature has to give way to sustainable development. This denotes a process whereby people satisfy their present needs and improve their quality of life while safeguarding the ability of future generations to meet their needs.

The government alone cannot check and remedy the menace of the increasing level of pollution. The corporate sector has to urgently tackle the multidimensional environmental degradation problems by installing more energy efficient production facilities, and recycling and reuse of natural resources.

There is an urgent need to usher in a better quality of life while minimising the use of natural resources and toxic materials as well as emissions of waste and pollutants over the life cycle of the service or product so as to not jeopardise the needs of future generations.

### Capacity Building

The stakeholders in society include the government, corporates, NGOs and civil-society organisations. The corporate sector occupies a privileged position because it possesses the required multidisciplinary knowledge, skill, technology and financial resources for solving the socio-economic problems of society. There is a need for coordinated action and intervention on the part of stakeholders for addressing the developmental needs. The challenge lies in capacity building and creating

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institutional framework for providing worthwhile solutions to socio-economic problems.

### ***Public-Private Partnership***

Government sponsored projects and schemes mostly suffer due to delay in decision-making and lack of capabilities and competence in execution within the given target of the time schedule and financial budget. The corporate sector, however, has the resources for effective execution of welfare projects. The Government, therefore, seeks active participation of the corporate sector for the socio-economic and infrastructure development projects like schools, hospitals, houses, highways, bridges, sewerage and sanitation systems which can sustain urbanisation and modernisation. The PPP model, with well-defined responsibility and accountability, can not only reduce the burden on the government, but also bring in quality and timely implementation of projects.

### **Conclusion**

All over the world, corporate governance practices are transforming the value system and functioning of companies. Value is the soul of a company that defines its character and personality. Values guide, shape and influence the behaviour and actions of the board of

directors. The core values of a business enterprise are shaped around the belief that enterprises exist to serve society.

There is a marked attitudinal shift towards the philosophy of “business excellence”. Companies are realising that their business activities impact communities in different ways. Good business enterprises embrace an extended role of trusteeship that reaches beyond the assets reflected in the balance sheet to encompass societal assets. At the heart of the value system is an unwavering commitment to integrity, ethical conduct, meritocracy, teamwork and abiding concern for stakeholders.

The Companies Bill, 2012, makes it mandatory for companies to undertake CSR despite the fact that in most other countries, there are no such mandatory obligations. The underlying objective is to promote sustainable development by involving the corporate sector for the well-being of society and quality of life.

The paradigm change towards ‘creative capitalist’ aims at the commitment, sustained support and direct involvement of companies and their employees in social welfare activities. Companies with their infrastructure, managerial and financial resources are in an ideal position to contribute to socio-economic welfare projects. ■