

## CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPORTANCE

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### ABSTRACT

*Corporation is a legal entity that has its own identity. It is separate it from its owner. It has limited or unlimited liability depending upon its nature. Framing a corporation is not a simple process it has to go through from various steps such as setting up the business plan, select the target market, market research, and search for company name, registration process, Tax certificate and many more. Corporation has its internal and external stakeholders which help it to earn profit and for its smooth business activities. Corporations run their business to generate their revenue. Customers who are the part of external stakeholders are the key source to generate revenue. Corporations run their business in a society and use the resources. It is required for companies to return back something to the society. Manufacturing goods and services are not only the business of a corporation but if they want to run their business for long-run they have to work for the society. This is known as corporate social responsibility. Here companies discharge their duties towards society. CSR activities are having many benefits for organizations as well as it increase the brand value of the organization, increase the revenue, reduce the operating costs etc.*

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**Keywords:** Corporation, CSR, Society, Production, Activities.

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### Introduction

A corporation is a legal entity that is separated from its owner. Corporate has its own responsibilities and rights that make it an identity. Corporate have group of people who work towards a common goal. In a corporate there are stakeholders that make the all over surrounding of it. It has both internal and external stakeholders. Stakeholders are those who directly or indirectly affect with the operations of corporation. Internal stakeholders are those who are the part of the corporation and external stakeholders are those who are not the internal part of the organization. Internal stakeholders are shareholders, management and employees' on the other hand external stakeholders are customers, competitors, suppliers, intermediaries, government, and social system. Shareholders who are the part of internal stakeholders are the key persons of the organization. They select the board of directors and control and guide the organization. The boards of directors do the work for the best interest of the shareholders and increase the return of interest on their investment.

Different Corporations have their own board structure and style. In some organizations only shareholders elect the board of directors, in others labor union, banks and combination of them elect the boards. The style of board of directors are depends on their relationship among the directors and communication. Based on these parameters there are four types of style i.e. rubber stamp board, professional board, dual board, unitary board etc.

Next important internal stakeholders are management. Management manages the organization and its employees. They direct and control the employees, frame policies and strategies for smooth functioning of the organization. Employees are the base of any organization. They manage all the day-to-day activities of the organization. These all internal stakeholders work together to achieve a common goal.

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External stakeholders are equally important to run the smooth functioning of the organization. Customers are the life blood of the organization. They generate revenue for the organization. Organization uses this revenue on its R&D activities to develop advance, innovative and quality products. These products can increase the living standards of the customers and society. Competitors are other external stakeholders that provide competitive environment to organizations. Because of competition companies are able to develop good quality products at lower cost to sustain in the market. Companies should work towards healthy and competitive environment.

Organizations are running their business in an environment that is called business environment. There are many forces work to control the business practices. One of them is legal and government policies. Corporation has to run their business in define and controlled boundaries. Time to time government frame the policies to run the business. Next important external stakeholders are social system. Corporations have their responsibility towards society to up bring the status of society. Organization uses the resources of society and pollutes the environment. So they have to return back to it. Organization runs some activities and programs for society that is known as corporate social responsibility.

### **Formation of a Corporation**

The formation of corporation varies from country to country. But the basic formation is same that starts from the selection of board of directors. They are elected by shareholders and in some corporations' labor union or banks is also being the part with shareholders to elect them. These boards of directors can be executive or non-executive directors. Executive directors are holding dual positions in the organization. One is executive and other one is board member of the organization. They are responsible to supervise, frame the policies, direct and control the business operations.

Non-executive directors are not the part of executive positions of the corporation. They are outsiders and responsible for bring the fresh and relevant business information to the corporation. They work as an eye for the organization. Organization uses their expertise and knowledge for their activities and business up liftman. The organization should have a clear idea and objective to start the business. The objectives should be communicated throughout the organization so that management and employees can have a clear idea that what to do and how to achieve the objectives.

Organization should have a clear plan and define target customer base. Organization need to conduct the market research to identify and understand the needs and wants of the customers. Once it is analyzed the next is to work towards fulfilling these needs and wants. Organization need to develop those services and products that can fit to the customers need and want.

While working towards customers' requirement it should not avoid the competition. It is a competitive environment where organization needs to understand the behavior of its competitors. Corporation need to be proactive rather than reactive while dealing with the competition.

Financial aspect is equally important to understand. What is the financial condition of the organization? How much it can spend on different organizational activities like; developing new product or services, R&D activities, production, promotional activities and other departments' operational costs.

Organization need to understand that what would be the different sources to generate the finance for it. It can take business loan, business grants, it can attract investors, crowd funding etc. could be the source to generate fund for the corporation.

Corporation need to define its legal structure and boundaries for smooth and efficient work process. It should understand the partners, liability (limited or unlimited) etc. once the organization is framed it must be registered with government and IRS (Internal Revenue Services). Once the organization gets registered it will get its EIN (Employer Identification Number), income tax form, federal, state and local licenses and permits. It purchases its insurance policy that can help in adverse conditions. It builds its team to start the business. The corporation identify the different venders that can provide it raw materials, one It's done corporation select some venders that can fulfill its requirement in best way. Then organization starts the business and produces/ manufactures the products and services. Once the manufacturing process is completed the business start to brand its offering. It makes its website, interact with customers on social media, design logo and brand the products and services. Keep proper communication with customers, provide timely information about the offerings and keep eye on competitive activities.

### Requirements of Starting a Business in India

Starting a business in India or in other country is a challenging task. There are few legal requirements to start a business in India. These are discussed as below:

- **Checking the Company Name Availability:** The Corporation needs to check the name availability before fix a name for it. It needs to be sure that the same name is not occupied earlier by other corporation. Once the name is finalized it must be registered and it should be on the company's website as well.
- **Acquiring a Director Identification Number (DIN):** Director Identification Number is a specific identification number for its directors. It can be availed by filling an online application form for DIN-1. Once the online application form is filled, the print out of the form should be submitted to the ministry along with the address proof for its approval.
- **Acquiring a Digital Signature Certificate:** Once the corporation is registered the director's digital signature certificate is issued by ministry.
- **Obtaining an Incorporation Certificate:** Ministry issued an incorporation certificate that is a proof for the constitution of the firm. The ministry sends the certificate to the company through e-mail.
- **Create the Company Seal for Official Documents:** Once the above processes are done the company creates the authentic seal for the company. The seal is required to provide the approval on documents. The cost of the seal is depends on the words embarked on it. The seal is not mandatory for private companies.
- **Stamping of all Company Documents:** The important documents of corporation such as Memorandum of Article (MOA), Article of Association (AOA) etc. are needed to be signed and stamped by concerned authorities
- **Acquiring a Permanent Account Number (PAN):** The Corporation need to get its Permanent Account Number by filling 49A form. The PAN card is send at the provided address. The process of getting PAN card is available online as well. Where corporation can fill the form online but physical verification of the documents is required.
- **Acquiring the Tax Account Number (TAN):** The Tax Account Number is required for them who collect or from where the tax is deducted. It is issued by Government of India's Tax department. The form 49B need to be filled for getting the TAN. Once the documents are verified by the income tax department, the TAN number is issued to the corporation either online or offline mode. NSDL website issue the online Tax Account Number for corporation.
- **Obtaining a Certificate from the State/Municipal Inspector under the Shops and Establishment Act:** In this process the company gets the certificate after verification of its address proof, employer's name, company's name, and business category. The company needs to be registered within 30 days (one month) of starting of its business activities.
- **Applying for its GST Registration:** GST registration is mandatory for all those organizations that want to sell goods or services with annual total turnover of more than 20 lakhs /40 lakhs.
- **Obtaining a Professional Tax Certificate from the State Professional Tax Office:** It is required to get the certificate that is liable for the tax.
- **Completing the National Employees' Provident Fund Registration:** The employer need to provide the required information to the local Employee Provident Fund Organization (EPFO). It is required so that company can get its Establishment Code Number (ECN).

### Corporate Social Responsibility

As it is discussed earlier that organization runs their business in a controlled business environment. The organization use the natural resources of the society and pollute the natural environment in all the aspects i.e. air pollution, noise pollution, water pollution, land pollution etc. So it is responsibility of organization to return back to the society. The activities that organization do you society called Corporate Social Responsibility, its make a corporation a responsible and accountable for the society.

### **Types of Corporate Social Responsibility**

Traditionally there were four types of Corporate Social Responsibility that organization fulfill they were as; environmental responsibility, economic responsibility, ethical responsibility and legal responsibility. In environmental responsibility organization the works towards increase the quality of the environment in term of air, water, soil noise etc. In economic responsibility organization is responsible to generate revenue for the business while fulfilling other social responsibilities. Under ethical responsibility the organization need to behave ethically while conducting business activities. The ethics and moral values should be the integrated part of the organization and it must be included in the behavior of the employees. The legal responsibility is required to fulfill so that organizations can be run their business in define boundaries.

Other than these responsibilities organization need to fulfill philanthropic responsibilities where it works for society at large. It generates employment for the community where it run its business, engage in cultural activities, up-liftmen activities (education, health, food, shelter, water quality etc.) of the society.

### **Advantages of Corporate Social Responsibility for Organization**

Companies who are involved in quality corporate social responsible activities having many benefits some of them are discussed below:

- **Better Brand Recognition:** Organization which is socially responsible has better brand recognition in the eye of customers, investors, government etc.
- **Positive Business Reputation:** Organizations that discharge its social duties are having positive image in the market and get competitive advantages.
- **Increase Sales and Customer Loyalty:** Socially responsible organizations have good image in customers mind and at the same time they have competitive edge. This is helpful for the organizations to attract more and more customers and the result is increase the sale of company's products and services. Customers generate more revenue for the organization and remain with the organizations that show their loyalty towards the organization.
- **Operational Costs Saving:** Organization that has sense and understands their responsibility towards society and fulfills its requirement has good presence and reputation in government and other officials. The organization has good bound with the concern department authorities. They also try to help and increase the speed of their work related to such organizations. It helps to reduce the operating costs of the organization.
- **Great Ability to Attract and Retain talented Staff:** Employees those work with such organization feel connected with them. Such organizations increase the reputation of their employees and bring sensibility in them. As these organization has good brand image and other factors, the employees want to be associated with these organizations for long-run. The other talents and experienced people also want to associate with these organizations.
- **Easier Access to Capital:** Investors also want to invest in such organizations that have good reputation.
- **Organizational Growth:** Socially responsible organizations are growing faster and they have good brand presence, reputation and financial stability due to good investor base.

### **Conclusion**

Organizations are run their business in a define environment that is known as business environment. In this business environment society is an integral part as business uses its resources so it is a whole sole responsibility of the organization to return back to the society. Organizations use corporate social responsible activities to fulfill the requirement of society. They use many activities that uplift the living standard of the society.

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