Excel Journal of Engineering Technology and Management Science
(An International Multidisciplinary Journal)
Vol. I No. 5 December - January 2013-14 (Online) ISSN 2277-3339

SOCIAL RESPONSIBILITY AND ETHICAL PRACTICES IN CORPORATE SECTOR

*** Mr. Ali Khazaal Jabbar,** Research Scholar, Dr.Babasaheb Ambedkar Marathawada University, Aurangabad.

INTRODUCTION:

Social Responsibility is based on the premise that a business firm is more than an economic institution. It is an organ of society and its activities exercise a decisive influence on social welfare. Social responsibility of business implies that the businessmen's decisions and actions are taken for reasons at least partially beyond the firm's direct economic or technical interest. Social responsibility is the intelligent and objective concern for the well-being of society that restrains behavior from ultimately destructive activities no matter however profitable in the immediate future and leads towards human betterment. Business exists in the society and uses the resources available in the society.

Business ethics may be defined as moral principles or rules of behavior which should govern the conduct of business enterprises. Business ethics is concerned with what is right and what is wrong in the behavior of businessmen. It provides a code of conduct which can guide businessmen in performing their jobs. Ethics refers to contemporary standards or set of values that govern the actions and behavior of individual. The social system and life style of an individual has a high purpose, freedom, relative affluence, and people living in harmony with their inner spirit, their fellowmen, and nature's physical environment.

BUSINESS ETHICS:

Ethics contains principles of personal and professional conduct. Being principles these are universally applicable and can be learned. Ethics is involved not only in business and but in all human activities. What constitutes ethical behavior in one society may be unethical in others. For example: Artificial birth control is mandatory in Russia and China but a Taboo in Catholic Christian societies.

The main elements of business ethics are as follows:

1) **Values:**

Values are the beliefs which an individual, an organization or a society holds. Values represent convictions and stem from personal beliefs and opinions.

2) **Rights :**

Rights are the claims that entitle a person to take particular actions.

3) **Duties:**

Duties are the obligations of a person or an organization.

FACTORS GOVERNING BUSINESS ETHICS:

Business ethics is the outcome of several interesting factors which are as follows:

1) **Social Factors:**

Every society has its customs, traditions, beliefs and values. Business is a part of society and social morality determines business morality. The ethical behavior of a businessman is largely conditioned by his family, friends, relatives and religious beliefs.

2) **Cultural Factors:**
Cultural values originate from religion, heritage, family system, education system, government, etc. these institutions prescribe what is good or bad behavior. Good behavior is rewarded and bad behavior is punished. Cultural values are passed on from one generation to another.

3) **Political Factors:**
The ideology of the political party in power exercises influence on business ethics. Government regulates the behavior of businessmen through legislation.

4) **Economic Factors:**
Business ethics tends to become more liberal with industrial and commercial growth.

5) **Organizational Factors:**
Philosophy of promoters, policy and attitudes of the management, superior subordinate relations and other factors relating to an organization exercise influence on the ethical perception, judgment and behavior of its members.

6) **Ethical Codes:**
Codes of Conduct prescribed by trade association, chambers of commerce, professional bodies and other institutions guide and govern the behavior of businessmen and managers.

STATUS OF CORPORATE SCOAIL RESPONSIBILITY IN INDIA:

- About 36% of companies surveyed had some sort of a policy on supporting social development.
- Only 7 % of the companies surveyed had a written policy.
- Of those having a written policy, as many as 86% were supporting activities.
- Almost 60% of companies with a policy had a person or department responsible for implementation.
- Cash donation was overwhelmingly the most preferred form of support.
- Companies with a policy were significantly large providers.
- Business ethics not only adds to the organization’s value, but also provides a reliable format within which it can maximize its contributions.

CORPORATE SOCIAL RESPONSIBILITY IN THE INDIAN COMPANIES ACT OF 1956.

In an attempt to provide boost to the economic growth, Indian Government has proposed amendments in The Indian Companies Act, 1956 to incorporate the latest trends of the corporate world and to incorporate the changes which can provide boost to the corporate sector in the economic growth of the country. A draft bill seeking amendments in The Companies Act, 1956 was introduced and the same was passed by the upper house of the Parliament i.e. Rajya Sabha and several changes were accepted vide the proposed amendments in The Companies Act,1956. The salient features of the amendment bill are introduction of new concepts and laws which are in conformity of the recent trend in the corporate world, the deletion of the obsolete laws and compliances which have become unproductive and redundant from the point of view of legal utility. It is however seen that several requirements related to the e-commerce and e-trade have not been incorporated or proposed which are also crucial and essential for the corporate sector.

THE SALIENT FEATURES OF THE COMPANIES BILL 2011 ARE AS FOLLOWS:

1. Proposed amendment in Clause 2 of The Companies Act, 1956: Vide this proposed amendment "Whole Time Director" has been included in the definition of the "Key managerial personnel"
2. The Proposed amendment in Clause 36: This clause is being amended to curb major sources of corporate delinquency accordingly Clause 36 (c) has been amended to include punishment for falsely inducing a person to enter into an agreement with bank or financial institution with a view to obtain credit from the bank.
3. Proposed amendment in Clause 42 of The Companies Act, 1956: The term 'private placement' has been defined to bring clarity.
4. Proposed amendment in Clause 61 of The Companies Act, 1956: It has been proposed that approval of the Tribunal shall be mandatory for the consolidation and division of the share capital of the company only in the case voting percentage of shareholders changes consequent on such consolidation.
5. Proposed Amendment in Clause 135: The concept of Corporate Social Responsibility (CRS) is being introduced by way of the Section 135 and the proposed amended Section 135 of The Companies Act reads as under:

"The Board of every company referred to in sub-section (1), shall ensure that the company spends in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy."

The said clause is also being amended to make it necessary that the company shall give preference to local areas where it operates, for spending amount earmarked for Corporate Social Responsibility (CSR) activities. The approach to 'implement or cite reasons for non implementation' retained.

6. Proposed amendment in Clause 139 of The Companies Act, 1956: It has been proposed that the appointment of the auditors of the company for five years shall be subject to ratification by the members at every Annual General Meeting (AGM).
7. Proposed amendment in Clause 139: The proposal relates to the voluntary rotation of auditing partner of an audit firm modified to provide that members may rotate the partner 'at such interval as may be resolved by members' instead of 'every year' proposed in the clause earlier.
8. Proposed amendment in Clause 141 of The Companies Act, 1956 proposes that the maximum number of companies in which a person can be director is 20.
9. The Proposed amendment in Clause 143 of The Companies Act: Provisions relating to audit of Government Companies by Comptroller and Auditor General of India (C&AG) modified to enable C&AG to perform such audit more effectively and comprehensively. This amendment will lead to more and effective responsibility of the Government Companies.

10. Proposed amendment in Clause 144 of The Companies Act: Makes provisions relating to restriction on non audit services modified to provide that such restrictions shall not apply to associate companies and further to provide for transitional period for complying with such provisions.
11. Proposed amendment in Clause 152 of The Companies Act, 1956: The proposal is for the clarification included in the Bill to make a provision that 'Independent Directors' shall be excluded for the purpose of computing 'one third of retiring Directors'. This would bring harmonization between provisions of Clause 149(12) and rotational norms provided in Clause 152.
12. Proposed amendment in Clause 186 of The Companies Act: To provide that the rate of interest on inter corporate loans will be the rates as determined by the Government or the prevailing rate of interest on Government Securities.
13. Proposed amendment in Clause 203: This proposed amendment in The Companies Act is for the separation of the office of the Chairman and The Managing Director modified to allow, in certain cases, a class of companies having multiple business and separate divisional MDs to appoint same person as chairman as well as MD.
14. Proposed amendment in Clause 147 and 245 of The Companies Act, 1956: The proposed amendment is regarding the extent of criminal liability of the auditors who have conducted the audit of the company. The proposed amendment emphasizes on the liability in respect of the damages to be paid by the auditor under the orders of the court which is used for the payment to affected parties including tax authorities, Central Government has been empowered to specify any statutory body/authority for such purpose.
15. Proposed amendment in Clause 470 of The Companies Act, 1956: The proposal is in respect of removal of difficulty modified to provide that the power to remove difficulties may be exercised by the Central Government up to 'five years' (after enactment of the legislation) instead of earlier up to 'three years'. This is considered necessary to avoid serious hardship and dislocation since many provisions of the Bill involve transition from pre-existing arrangements to new systems.

Amendments in The Indian Companies Act of 1956 are thus bound to get the benefits of the recent changes as proposed.

CONCLUSION:

Business is a creation of society and it operates in a social-economic environment. It can justify its existence by fulfilling its obligations to the society by production and distribution of needed goods and services to the profit of society and itself. Ethics helps the individual to perform its duties in a systematic manner. An individual while performing his duties not just economic life is improved but also helps to protect, promote and improve the quality of life. Social Responsibilities of Indian business helps to make the best use of national resources so as to raise the level of national income and standard of living of the people. It ultimately helps to create more employment opportunities for engineers, technicians and other skilled persons from educational institutions.