

# CORPORATE SOCIAL RESPONSIBILITY IN NEPAL

**Krishna Kumar Shah**

Department of Management, T.U., TRM Campus, Birgunj

Email- Associatekshah@gmail.com

## **Abstract**

*This article discusses the concept of social responsibility of corporate and its significance in Nepal. It, however, emphasizes on the part of companies/ corporate to comply with and motivates their activities for the protection of vulnerable section of society for promotion of research and development activities and helps government and social institutions to face several social problems like poverty, unemployment and environmental risk and others.*

## **Keywords**

Corporate, social responsibility, social philosophy, vulnerable. environmental risk.

## **Introduction**

A corporate/company is a legal entity with perpetual succession and artificial person, which is formed to achieve profit motive. Generally companies are established with traditional aiming to profit maximization but in modern aiming to wealth maximization. In the business organization there are two philosophies in existence. On the one hand, there is economic philosophy of business that believes on profit or wealth maximization and on the other hand, there is social philosophy that emphasizes on social responsibility that in social service, consumer satisfaction, protection of environment, Solution of unemployment, development of society and increasing the international relationship.

Profit is accepted as a prime goal of the business organization although corporate social responsibility (CSR) is also very important. In the changing atmosphere of modern economic development, corporate sector cannot function in isolation. In the socialist pattern of development, it is accepted that social interest must have a prime concern. Today even the capitalist societies have also employed to work for social welfare. Financial institution, manufacturing, industries, service provide enterprises and several type of business organizations are doing work for social welfare.

Thus the corporate must behave and function as a responsible member of society just like any natural person or human being. Today

it is expected that the objective of business becomes the proper utilization of natural resources for the benefit of others too. Profit is still the primary aim of business organization; however social responsibility of business organizations has become increasingly important over the last 50 years (Hines & Robert, 1998). The case for demonstrating corporate responsibility is getting stronger in the context of business organization.

## Concept of corporate social responsibility

Corporate Social Responsibility (CSR), the main concept of social responsibility should contribute for the development of the state. It is also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business or corporate social performance is a form of corporate self regulation integrated into a business model. Corporate aims to earn more profit but in the lack of the co-operation of the society, a company cannot run smoothly and fairly. Company produces goods and provides services for the society. Business organization can earn profit only at the satisfaction of public at large.

Before the Second World War the concept of social responsibility was concerned with businessman's responsibility. After the Second World War, the concept changed. Company and business organization or corporate became liable to pay fair tax to the state. Tax was used for the social welfare and development, however today this concept aims to eradicate social problems. In the present scenario we all have a personal responsibility to each other and the world around us. Everything we do has an effect on the other people. It is same for business, large and small, public or private, sole trading or partnership. Their actions affect a large number of stakeholders such stakeholders includes shareholders, financiers, employees, customers, suppliers, prospective investors, labor unions, trade unions, government and society in general. Over the past few decades, corporate social

responsibility has risen in global prominence and importance. Additionally, issues such as peace sustainable development, security, poverty alleviation, environmental quality and human rights are becoming increasingly interlinked. They are having a profound effect on business and the business environment.

According to Kulshrestha (1998), corporate responsibility is rooted in the obligation of company to perform its duty and function in accordance with law and regulation and corporate responsibility imposes obligation to the company to do for the citizen. This concept has been recognized also by the court in Charanjit Lal (1951), vs Union of India. In this case the court held that "a corporation which is engaged in production of a commodity which is vitally essential to the community, has a social characteristic of its own and it must not be regarded as the concern primarily or only of those who interest their money in it for profiteering, capital creation and business expansion. It is treated today as a vital nationally important and socio-economic institution (Khadka, 2058 BS). Likewise, the Nepalese Supreme Court in Surya Dhungel vs Godawari Marble industries case recognized the concept of social responsibility of the company. In this case, Justice Kedar Nath Upadhya observed that the Godawari mining operation has made environmental hazards and injury to the workers as well as the people residing near the mining operation. So the industry is responsible for its activities.

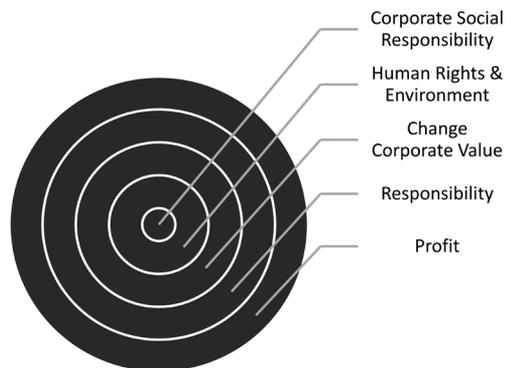


Fig: Focus of the social responsibility

The entire of corporate social responsibility can be discerned from the three words contained within its title phrase 'corporate' 'Social' 'Responsibility'. Therefore, in broad terms, corporate social responsibility covers the responsibility corporations have to the societies within which they are based and operated (Caroline, 2006).

Corporate social responsibility is an obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for the society. The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workers and their families as well as that of the local community and society at large. Company manages its business process to produce an overall positive impact on society.

### **Social responsibility and various stake holders of the society**

In modern age company is considered as a member of society, so they have an inherent responsibility towards the following stakeholders of society.

#### *Shareholder / owners / investors*

Company has responsibility towards shareholders and investors or owners. The company has to take care of the maintenance of the value of their investments providing them fair return on shares.

#### *Workers / employee*

Workers are the assets to a corporation / company. If the management offers an appropriate monetary salary and various incentives salary to them, they will be motivated to work effectively and efficiently. This is an obligation of company arising out of social responsibility to works (Kamik, 1976). So far as Nepalese law concerns on social responsibility of companies to the workers, it is useful to refer to the Labor Act 2049 B.S.

that has offered some provisions on this issue. Section 5 of the Labor Act 2049 B.S. states that children are not used for work in any enterprises. Similarly, section 27, 28, 29, 30, 31 and 32 of the Act maintain about the security and health standard for the labors

#### *Consumers*

Company also has a responsibility toward consumers. The consumers have a right to get standard product as right price at the right time. Company has a duty to produce standard goods and service and provide them to consumer at a right price and right time. Section 6 of the Consumer Protection Act 2054 B.S. has granted the right of consumer to get standard products and services. Similarly Section 22 of the Act has provided right to claim compensation in case of injury or harms caused to the consumers.

#### *Society*

Corporations have responsibility towards the society, where the Corporations are located; service to community can be accomplished by donations to social educational institutions, charitable institutions, hospital, sport and others social welfare institutions. Besides this, a company should participate in solving the social problem like poverty, educations, overpopulation, environmental degradation and unemployment etc

In USA companies have donated millions of dollars for the benefit of the disadvantaged section of society (Dolan 1998 p.28). According to present Company Act 2063, the proposed company can be rejected to be registered if the name of the company is unfit and undesirable for the same of public interest and public morality. Similarly, Income (Tax Act, 2058) has exempted to a company from paying tax which has contributed donations to the religious work, service disadvantaged people, educational and medical assistance

and social welfare activities.

### *Environment*

Company has also a responsibility towards environmental protection. Like global warming, environmental pollution has become a burning problem in developing and developed countries today. The companies are the contributors of pollution, so they are required to contribute for mitigation of pollution problem. Companies have to take necessary preventive and remedial measures to address environmental problems. Major corporations are under a society duty to help devise and follow some strategies to eradicate environmental pollution (Kerry, 1998).

Environmental law also prescribes a duty upon company not to pollute the environment. In Nepal there are some provisions, which make a company socially responsible towards the protection of environment. Industrial Enterprises Act (2049,) section 9 has prescribed that before conducting an enterprise, company which is supposed to be dangerous for the society of health and environment have to take prior permission from concerned authority. In addition, the environment protection act provides compensational to the victims in case of injury by pollution and industrial accident.

In *Yogi Narahari Nath vs Prime Minister Girija Prasad Koirala and others*, the Supreme Court of Nepal has invalidated the establishment of medical college at Devghat, which is religiously, ecologically and socially not appropriate for that purpose. In India also there are effective environmental laws to abate pollution. In India, union carbide corporation vs. union of India, the Supreme Court of India considered that it was compelling duty both to judicial and humane, to secure immediate relief to Bhopal's Victims (AIR, 1989).

### *State*

Company is responsible to the state as well

as authority and legal entity to pay fair tax and other contribution in accordance with law. The company has to perform its duty observing the laws and regulations in business activities. Companies must not indulge in malpractices and illegal activities and should not avoid tax paying responsibility. It has a duty not to bribe and push officials in corruption for the benefits of the company. It must contribute the state in promoting social stability, development and progress.

### **Discussion**

The followings are the suggestions to solve the drawbacks and weaknesses pertaining to the concept of corporate social responsibility. The below main toned are:

An obligation, beyond that required by the law and economics, for a firm to pursue long-term goals that are good for the society.

In our country, a company does not understand the fair concept of social responsibility. Management of firm is engaged in maximum profit motive and is less engaged to social interest. They are expected to fulfill their social duty for the benefit of the society as a whole.

The company must manage its business process to produce an overall positive impact on society.

Present legal acts are not sufficient to make corporation socially responsible. Few laws related to this area like Income Tax Act 2058, Industrial Enterprises Act 2049, Labor Act 2049, Consumer Protection Act 2054, Company Act 2063 etc, are scattered. So they need to be unified and rearranged the demand of our time.

The commitment of business must be ethical while contributing economic development including the management of the quality life of the workers and their families as well as that of the local community and society at large.

Concept of social responsibility should be placed in memorandum and articles of association of the company.

Company must place social audit in prospective of association.

## Conclusion

Corporate social responsibility lies at the centre of the circles. A company brings its business with a main objective for making profit. But because it is a part of the society itself, it has its certain obligation and responsibility towards it. So now its concern values, objectives, and decision are based on something more than the pursuit of profits. Being part of society, it has to be responsible to the various stakeholders' interest of the society, such as financiers, employees, creditors, workers, debtors, community, customers, prospective investors, and state. Management of the corporation cannot be indifferent about national and social problems such as unemployment, over population, rural development, environment protection and providing social benefits like blood donation, free health test, and pure drinking water etc. for the betterment of the people and society.

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