

# Corporate Social Responsibility And Corruption

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**Abstract:**

*Corruption Is Estimated To Cost Around 5% Of Global Gdp. It Should Be Obvious That Corporates Are As Much To Blame For Corruption As Politicians And Bureaucrats. Corporate Social Responsibility Improves The Image Of Companies And Thus Helps Organisations To Attract Customers, Employees And Shareholders Thus Improving Outcomes. Will It Help Corporates To Include Combatting Corruption As Part Of Their Social Responsibility Considering That Corporates Are Equally Responsible For Corruption?*

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Date of Submission: 29-06-2023

Date of Acceptance: 09-07-2023

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## I. Introduction

Corruption is defined as use of public office for private gain. Politicians and bureaucrats hold public office. People and media blame politicians and perhaps bureaucrats for corruption. No doubt they are responsible for corruption.

But as they say you cannot clap with one hand. Politicians and Bureaucrats represent demand side of corruption. But there has to be a supply side for corruption. And obviously the supply side of corruption are either individuals or businesses. Now clearly when we are discussing corruption at high level it is businesses that are responsible.

Somehow corporates do not get blamed for corruption though they are as responsible for corruption as politicians. But when corporates engage in corruption ordinary people have to pay the price in the form of expensive goods and services thus making them poorer.

What if corporates check corruption? Why should the onus on corruption be only on politicians? Aren't corporates equally responsible for corruption?

Corporates engage in Corporate Social Responsibility to improve their image. Studies show that corporate social responsibility helps companies to attract customers, employees and shareholders. Usually corporate social responsibility manifests in form of corporates engaging in charitable activity in area of environment, healthcare, education, orphanages, disability by working through non-governmental organisations. Sometimes corporate social responsibility also includes corporates behaving in ethical and moral fashion in their operations.

Isn't it important then for corporates to be moral and ethical in their ability to resist corruption? This paper explores possible intersection between corruption and corporate social responsibility.

## II. Why Worry About Corruption?

Corruption is use of public office for private gain.

According to Antonio Guterres, Secretary-General of the United Nations, corruption is present in all nations and as per World Economic Forum estimates the global cost of corruption is at least 2.6 trillion dollars or 5% of global GDP in 2018.

Citing estimates by the World Economic Forum, Antonio Guterres, Secretary General of the United Nations said the global cost of corruption is at least \$2.6 trillion, or 5 per cent of the global gross domestic product (GDP), adding that, according to the World Bank, businesses and individuals pay more than \$1 trillion in bribes every year.

Antonio Guterres, Secretary General of United Nations, believes that corruption robs schools and hospitals of funds, despoils economy and deprives people of their rights. Antonio Guterres believes that "Corruption breeds disillusion with Government and governance and is often at the root of political dysfunction and social disunity", he continued and said that poor and vulnerable suffer disproportionately from it.[3]

There are several harmful consequences of corruption such as

- a. Corruption diminishes incentive to invest and trade
- b. Talent gets misallocated
- c. Corruption reduces effectiveness of aid by diversion of funds
- d. Corruptions bring about loss of tax revenue
- e. Corruption leads to adverse budgetary consequences

- f. Corruption lowers quality of infrastructure and public services
- g. Corruption may distort composition of government expenditure
- h. Corruption increases costs
- i. Corruption reduces quality

Across the EMEA region (Europe, Middle East and Africa) and India, almost half of all workers think bribery and corruption are acceptable if there is an economic down turn. Corruption, bribery, theft and tax evasion and other illicit financial flows cost developing countries 1.26 trillion dollars per year. That is enough money to lift 1.4 billion out of poverty for 6 years. The Transparency International's Corruption perception index score 178 countries on their degree of corruption, 10 is cleanest possible and 0 is endemic corruption, almost  $\frac{3}{4}$  of 178 scored lower than 5.[4]

### **III. Corporates are Supply Side of Corruption**

There is an Indian proverb that you need two hands to clap. Like the Indian proverb cited here, a "corrupt transaction" requires at least two players- a 'Giver' and a 'Taker'. The person(s) or business entity (ies) who receives the bribe or inducement is commonly known as the 'Demand side' of corruption while the one(s), who supplies such unlawful consideration, is termed as the 'Supply Side'.

Which of these sides is more to blame in the event of detection of such a transaction? The answer is simple, or at least seems simple - both are to be equally blamed. The "giver" is as guilty as "receiver". The law should punish them equally. Any anti-corruption policy should focus on both the demand and supply side on an equal measure to be an effective tool of deterrence.[5]

Somehow societies tend to condone the "giver" while concentrating their ire on the "taker" of the alleged bribe. Somehow, there is a greater degree of tolerance to the "supply side of corruption" as opposed to the "demand side". The structure of the anti- corruption policy in many countries does reflect discernable tolerance to the "supply side" of corruption.

It should be obvious that supply side of corruption is held by corporates and demand side of corruption is held by government officials and politicians. But as stated above while government officials and politicians are blamed for corruption, corporates are never blamed for corruption. But then it takes two hands to clap.

When the talking of corruption, the news media and most international institutions focus on the demand side of the equations: on public officials who abuse their office for private gain. Those who pay bribes are seen as innocent parties, forced by government officials to pay bribe. The reality is that both parties to corrupt practices conspire to defraud the public to undermine fair trade, waste resources, to frustrate development and increase human suffering.

Government and Civil Society leaders who challenge corrupt system display great courage, skill, patience and determination. However it is without doubt that fight against corruption would be strengthened if anti-corruption efforts attacked bribe givers with as much fury and force as they attack bribe takers.

Changing corporate habits takes time and is difficult. Many corporations have been paying bribes around for decades. However, it is only recently that some legislative action and civil society efforts are being directed against corporates.

### **IV. Corporate Social Responsibility**

Corporate Social Responsibility or CSR is a form of self-regulation that reflects a business' accountability and commitment to contributing to the well-being of communities and society through various environmental and social measures.

Corporates can engage in 4 kind of initiatives in CSR:

- a. Volunteer Work
- b. Charity
- c. Environmental Initiatives
- d. Ethical Labour Practices

CSR plays a crucial role in a company's brand perception – attractiveness to customers, employees and investor and thus for talent retention and business success.

In an article in MIT Sloan Review, Bhattacharya, Sen and Korschun point out that CSR - Corporate Social Responsibility helps a company win war for talent. A paper by Gurlek, Duzgun and Ugyer, in Social Responsibility Journal, found that Corporate Social Responsibility has some effect on customer loyalty in Turkish Hotels. In a research paper by Yungchih Wang(2011) titled Corporate Social Responsibility – Evidence from Taiwan, finds that Corporate Social Responsibility is positively correlated to stock performance.

In an article by Laura Colombo (2021), "Corporate Social Responsibility - Is not only ethical but a modern business tool" Forbes magazine concludes that CSR is not a cost center but a revenue center. Companies that pursue CSR are perceived as reliable, appealing and hence more successful. An article by Geneva Murphy in Forbes magazine - "Why CSR is good for the heart of business", points out that the extra

degree of CSR will help a company succeed. Another article in Forbes Magazine by Chastity Heyward (2020), titled “The growing importance of social responsibility in business” points out that companies cannot operate with the sole aim of making profits and have to give back to society, economy, consumers and employees.

In a survey of 25 professionals conducted by the author nearly 92% said that they would prefer working for a company with a good CSR department. Similar survey among industry stalwarts also showed that everybody agreed that CSR helps attract customers, employees and shareholders.

### **V. Corruption and Corporate Social Responsibility**

The trouble with battling corruption is that corruption is anyway not visible. Nobody gives bribe in front of CCTV camera or media camera. So corruption theoretically does not exist.

And corruption gives advantage to corporates. Hence it is perhaps not in their interest to fight corruption.

But then Corporate Social Responsibility also gives benefit to corporates. And fighting corruption can be as much part of corporate social responsibility as much as environmental initiatives or ethical labour practices.

There could be some benefit in integrating anti-corruption efforts and corporate social responsibility. Following are the benefits of integrating corporate social responsibility and anti-corruption efforts:

- a. Improved Reputation: A CSR program with anti corruption effort will improve image of company as ethical and moral organisation
- b. BY integrating anti-corruption efforts into CSR initiatives companies can reduce risk of legal and financial penalties for non-compliance.
- c. Being viewed as ethical due to anti-corruption efforts will help corporates attract talent and customers

Anti-Corruption as a Corporate Social Responsibility is rather unheard off, even in 21<sup>st</sup> century when Corporate Social Responsibility has become so common. Perhaps it is because corruption is not supposed to exist. No politician is corrupt and no company pays bribe. But if truth be told almost all politicians are very corrupt and almost every company pays bribe.

Hence it will be a leap to incorporate anti-corruption efforts as part of Corporate Social Responsibility. Indeed it may be good idea for a Corporate Consortium against Corruption. This way all corporates can be part of anti-corruption drive.

Corporate Social Responsibility can include being a member of Corporate Consortium Against Corruption. With this open stand corporates can bind themselves in legal agreement on abstaining from corruption. This consortium has to be at regional , national and international level.

### **VI. Can Companies not include Anti Corruption in Corporate Social Responsibility?**

Corporate Social Responsibility is about behaving ethically and responsibly in interest of society. CSR is not limited to volunteering and charity. CSR includes environmental friendly behaviour as well as labour friendly behaviour even if it comes at a cost to company.

Companies cannot pretend that corruption does not exist. It is open secret that corruption is wide spread and immense. And everybody knows that corporates provide the supply side of corruption. Hence corporates cannot claim to be clean when it comes to corruption when everybody is blaming politicians.

So unless corporates take visible action against corruption they will be deemed to be corrupt tacitly and implicitly. This will have an impact on their reputation and well being.

Thus it should be clear to companies that unless they take stern anti corruption stand and seen to making best efforts to combat corruption, it will impact their best interests.

### **VII. Conclusion**

Corporates cannot pretend to be moral and ethical when everybody is blaming politicians and bureaucrats for corruption. If there is demand for corruption, then there has to be supply of corruption. And it does not take a genius to figure out that only corporates are the supply of corruption supporting the humungous corruption of politicians.

Now if corporates are not seen to be actively taking part in anti corruption efforts as a part of their Corporate Social Responsibility then they will be presumed to be corrupt thus impacting their moral and ethical image. Equally, having environmental and labour initiatives as part of CSR while not having anti-corruption efforts as part of CSR smacks of double standards and hypocrisy.

Hence it is in best interests of corporates to include anti corruption efforts as part of CSR even though it seems to hurt their immediate interest since it will pay off in long run.

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