



A STUDY ON INDIAN PERSPECTIVE OF CORPORATE SOCIAL RESPONSIBILITY

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Abstract

We are living in a world surrounded with numerous problems related to environment and society. CSR (Corporate Social Responsibility) is a means to sort out these problems to some extent because business is a part of society. In the recent years the concept of Corporate Social Responsibility is spreading very rapidly in India in all the sectors. Corporate Social Responsibility is to contribute towards the society while working with in ethics. Business comes in contact with various groups of society such as owners, employees, customers, government, suppliers etc. The responsibility of business, which includes satisfaction of these parties along with the owner, is called social responsibility of business. The importance of CSR is increasing in Indian corporate scenario because organization have realize that ultimate goal is not profit making beside this trust building is viable and assert able with societal relationship. The compulsion of CSR has emerged in last two decades when Indian organization realizes the importance of sustaining in this cutthroat competition era. The problem with Corporate Social Responsibility is that nobody is very clear about what exactly it encompasses. The CSR provision requires affected companies to spend at least 2 percent of their average net profits made in the preceding three years on CSR. Today, Government has also come as an initiative to control those business activities which makes a harmful effect on the society. The government suggested time to time to the business units that the corporate should enact a framework related to CSR i.e. its areas, investment, activities etc. and include them in the vision, mission and strategic planning. CSR typically includes issues related to business ethics, community engagement, global warming, water management, mange the use of natural resources, human rights etc. This research paper try to analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR and identifies key CSR practices.

Key Words: *Corporate Social Responsibility, Government Initiatives, Strategic Planning.*

Introduction

Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It has grown in importance both academically as well as in the business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development. Corporate Social Responsibility is basically a concept whereby companies decide to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment.

CSR is the responsibility of an organisation for the impact of its decisions and activities on society, the environment & its own prosperity known as the TRIPLE BOTTOM LINE of people, planet and profit.

Triple bottom line concept (3P) explains that in order to sustain in the long run a corporation should pay attention to the following components:

People relates to fair & beneficial business practices towards labour, the community and region where corporation conducts its business. Support from people (society) in business area is needed for corporate sustainability. As an integral part with society, corporation needs to have commitment in giving optimum benefit to the society.

Planet refers to sustainable environmental practices. There is a causal relationship between corporations and planet. If corporations preserve their environment, environment will benefit them. A triple bottom line Co. does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals.

Profit is the economic value created by the organisation after deducting the cost of all inputs including the cost of the capital tied up. It is the most important thing and also main objective of every business. Profit can be increased by improving work management through process simplification, by reducing inefficient activities, save processing and service time and usage of material as efficient as possible.

The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders while considering environment and overall sustainability.

Objectives

1. To study the CSR status in India.
2. To study the challenges faced by CSR in India.



3. Corporate Social Responsibility Practices of Indian companies.
4. To make suggestions for accelerating CSR initiatives.

Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

Literature Review

According to Bowen, “CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.”

Frederick (1960) stated that Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people.

Davis (1960) argued that social responsibility is a nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook.

An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001).

Goyder(2003) argues: Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose.

CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm’s social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991).

According to Jacob M. Rose, in his study findings indicate that directors employ prospective rationality cognition, and they sometimes make decisions that emphasize legal defensibility at the expense of personal ethics and social responsibility. The results suggest that additional ethics education will have little influence on the decisions of many business leaders because their decisions are driven by corporate law, rather than personal ethics.

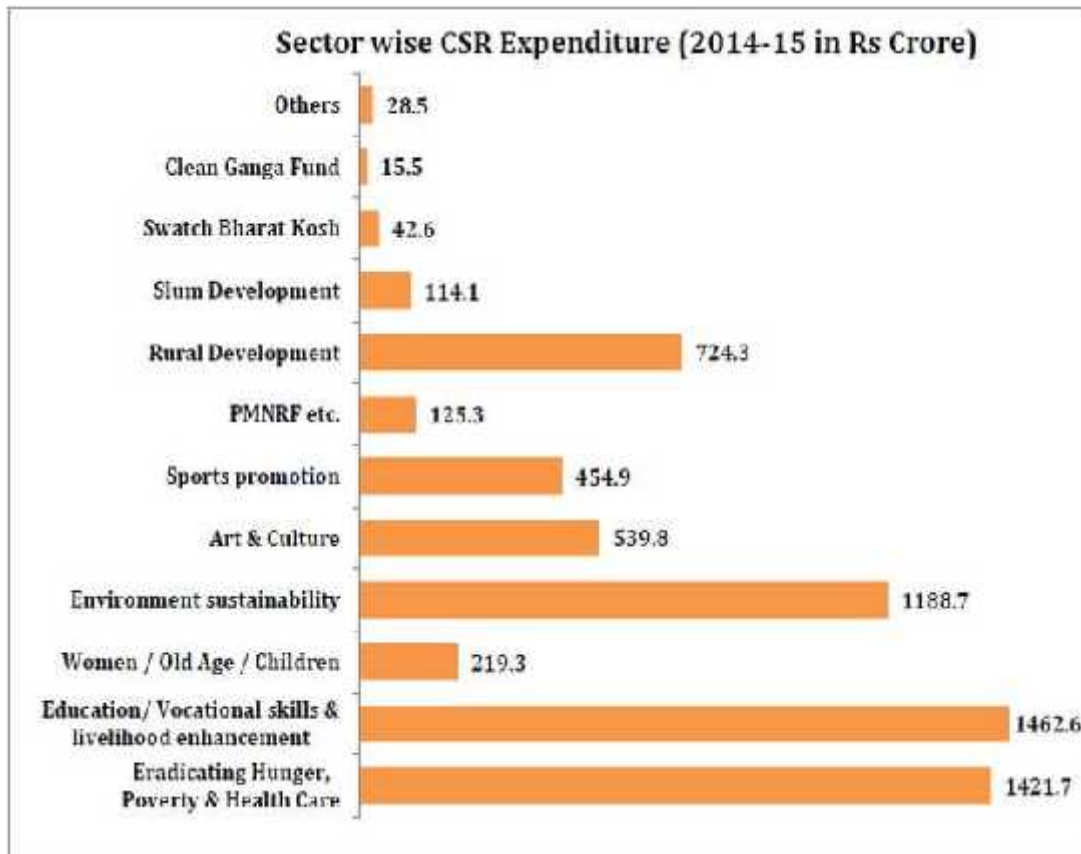
Paul C. Godfrey and Nile W. Hatch they studied on the two aspects one; Examination of the marginal utility of various CSRs by firms. Second, researchers must focus their tools on individual firm-stakeholder.

CSR in India

CSR is not new to India. Development of CSR can be traced back in different phases which are as follows:

The **First phase** of CSR was predominantly determined by culture, religion, family tradition and industrialisation. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices, especially in community development. In the pre-industrial period up to the 1850s, merchants committed themselves for the religious reasons, sharing their wealth, for instance, by building temples. The **Second phase** of Indian CSR (1914-1960) was dominated by country’s struggle for independence and influenced fundamentally by Gandhi’s theory of trusteeship, which aimed to consolidate and amplify social development. During this period, Indian businesses actively engaged in the reform process. Not only the companies saw the country’s economic development as a protest against colonial rule; but also they participated in its institutional and social development. **Third phase** of Indian CSR (1960-1980). This phase was also characterized by shift from corporate self-regulation to strict legal and public regulation of business activities. In this scenario, the public sector was seen as the prime mover of development. The 1960s was described as an “era of command and control”, because strict legal regulations determined the activities of the private sector. In the **Fourth phase** (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and to some extent integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the “mixed economy” and tried to integrate India into the global market. In India as in the rest of the world there is a growing realization that business cannot succeed which fails in a society.

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. 'Sustainability in Asia ESG reporting uncovered' (September 2010) is based on four parameters viz. General, Environment, Social and Governance.



Key Drivers for CSR

- Direct Economic Value/Brand Reputation:** Although the prime goal of a company is to generate profits, companies can at the same time contribute to social and environmental objectives by integrating CSR as a strategic investment in to their business strategy as they become increasing aware that Corporate Social Responsibility can be of direct economic value. They can increase their reputation with the public and government by adopting CSR.
- Laws and Regulations:** Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social well, including people and environment. Governments should set the agenda for social responsibility by way of laws and regulations that will allow a business to conduct them responsibly.
- Competitive Labour Markets:** Employees are increasingly looking beyond pay-checks & benefits and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.
- Philanthropy:** It is the historical driver which means sense of ethics or welfare. After the Second World War, a variety of national and international regulations arose through bodies such as International Labour Organisation(ILO) emphasizing the need for an active social policy for transnational companies.

e) Ethical Consumerism: The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. There is evidence that the ethical conduct of companies exert a growing influence on the purchasing decisions of consumers.

f) Globalization and Market Forces: Corporations have to face many challenges i.e. government regulations and tariffs, environmental restrictions etc. that can cost organisations very much. Organisations can sustain a competitive advantage by using their social contributions.

g) Social Awareness and Education: Corporate stakeholders are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the internet to increase their scrutiny and collective activism around corporate behaviour.

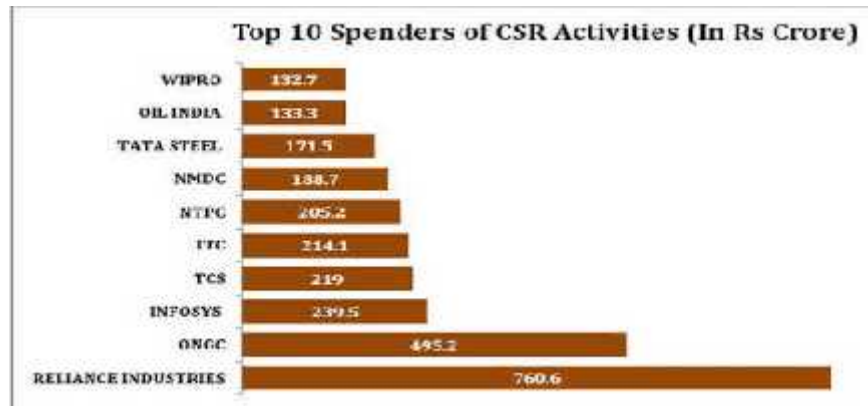
h) Supplier Relations: As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers to ensure that other companies' policies or practices do not tarnish their reputation.

Challenges of CSR in India

- **Lack of Awareness of General Public in CSR Activities:** There is a lack of interest of general public in participating and contributing to CSR activities of companies. This is because of the fact that there exists little or no knowledge about CSR. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.
- **Issues of Transparency:** Lack of transparency is one of the key challenge for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This negatively impacts the process of trust building among the companies which is a key to the success of any CSR initiative.
- **Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event based programmes; in the process, they often miss out on meaningful grassroots interventions.
- **Non-Availability of Well Organized Non-Governmental Organizations:** There is non availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities.
- **Need to Build Local Capacities:** There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.
- **Non-Availability of Clear CSR Guidelines:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. The scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.
- **Narrow Perception towards CSR Initiatives:** Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven. As a result, corporate find it hard to decide whether they should participate in such activities at all in medium and long run.
- **Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst implementing agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

CSR Practices Followed by Indian Companies

Following are the top spenders on CSR activities:



Mahindra & Mahindra: They believe in sharing wealth and promoting primary education. For this purpose they started colleges named Nanhi kali (underprivileged girl child). 1% Profit after tax is used for CSR activities of free education for girls. Their main focus is on community development.

Bajaj Auto: Bajaj Auto corporate social responsibility activities include Education, Rural Development & Environment. Their main focus is on Development of weaker sections of society.

BHEL: BHEL has been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants. They provide infrastructure for schools for physically challenged children near its units. They also Launched wind electric generators, solar heating systems, solar photovoltaic systems, solar lanterns and battery powered road vehicles for minimizing environmental impact of fossil product energy.

Wipro: Through trust they provide rehabilitation to survivors of natural calamities and Enhancing learning abilities of children from underprivileged sections.

Infosys: Infosys Foundation provide medical facilities to remote rural areas, organizing novel pension schemes and aiding orphans and street children and rural education program titled “A library for every school”, Human Capital Education index for its employees.

Castrol India: Castrol India worked for Rehabilitation of earthquake affected victims in Gujarat. Castrol works for Safety Initiative.

TISCO: TISCO was awarded The Energy Research Institute (TERI) award for Corporate Social Responsibility (CSR) for the fiscal year 2002-03 in recognition of its corporate citizenship and sustainability initiatives. As the only Indian company trying to put into practice the Global Compact principles on human rights, labor and environment, TISCO was also conferred the Global Business Coalition Award in 2003 for its efforts in spreading awareness about HIV/AIDS.

Reliance: Reliance Power has been actively involved in various social and environmental organizations to address the issue of sustainable development and social uplift. The Company in discharge of its responsibility as a corporate citizen actively contributes to community welfare measures and takes up several social initiatives every year. Reliance Power Ltd. has been closely working with institutions and social organizations and supporting their programs for social development, adult literacy, adoption of village, tree plantation schemes etc. and it includes health, education and employment.

Suggestions

- The concept of private-public partnership (PPP) should be applied in the effective implementation of CSR i.e. government and business houses should act in collaboration for the cause.
- Periodic review of the CSR activities should be conducted by every business entity so as to identify the pitfalls and the areas left out.
- Innovation should essentially be a matter of concern; be it searching the untouched areas and scope of CSR or the formulation of CSR strategy or the implementation thereof.



- NGOs should be encouraged to act in collaboration for the CSR activities under different schemes and projects as they play a crucial role in the upliftment of the masses.
- Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector.
- Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity.
- Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities.

Conclusion

For bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about CSR. The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. Society expectations are increasing towards the social development by the companies. So, it has become necessary for the companies to practice social responsibilities to enhance their image in the society. There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice.

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