

CSR – In India a New Paradigm

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Abstract—Corporate social responsibilities is very important in this 21st century. Social Responsibility is a concept well known in the corporate world and beyond that. Businesses in the world focused only on profit-making actions in past but Now as the enterprises have developing complexities and wideness in size and actions henceforth was their reach getting bigger and bigger. As every person has his own social responsibilities towards the society so does the corporates. The concept that business also has social obligations above and beyond making a profit is corporate social responsibility.

Keywords: Corporate social Responsibility, Sustainability, Environment.

1. INTRODUCTION

Although many differences about the definition of corporate social responsibility ("CSR") that exists at present, it may be said that "a company's commitment to operate in an economically and environmentally sustainable manner, while acknowledging the interests of a variety of stakeholders. An organization's policy and continuous action in such areas as employee relations, diversity, community development, environment, international relationships, marketplace practices, fiscal responsibility and accountability [all help determine its corporate social responsibility"

The MNC's prefers sustainable development or sustainable business while several Indian companies talk about responsible business or Triple P (People, Planet, and Profit).

It is important to note that Indian companies and stakeholders give a broader definition of CSR than MNC and stakeholders.

According to the Indian Corporate: "Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment".

A widely quoted definition by the World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." (CSR: Meeting Changing Expectations, 1999).

2. LITERATURE REVIEW

Corporate social responsibility was basically a concept wherein companies decide voluntarily to contribute to a better society and a clean environment. However Corporate social responsibility is represented by the contributions (or donations) undertaken by companies to society through its business activities and its social investment. This also points to the Concept of sustainable development at the company's level.

3. OBJECTIVE

To know the importance of CSR to Stakeholders as well as the company

To study the evolution of CSR specially in reference to India.

4. RESEARCH METHODOLOGY

For the purpose of in depth study the contents have been taken from relevant books and articles from journals and websites. The method used is analytical and descriptive.

History of CSR, a global outlook

Companies which are socially responsible are given importance globally.

There is need to point out to questions of low living standards, exploitation, poverty, Unemployment and how to promote social development in general. Development issues must also be in partnership between government, non-governmental players (NGO) and the corporate sector.

The decade of the 1960s was to be a period of enlightenment for many. The Korean War had ended and new conflicts in South-East Asia were destined to follow the same pattern. Citizens were distrustful of government, business and the undefined "establishment". Consumers had grown suspicious of adulterants in their food and dangerous products they bought. People were becoming aware of the nature of the earth's ecological disturbances, while simultaneously becoming more cognizant of human rights.

As companies moved themselves in the context of globalization, they are increasingly aware that Corporate Social Responsibility can be of direct economic value. 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 corporate social responsibility as a strategic investment into their business strategy.

By the early 1980s, trade between the 350 largest TNCs (Transnational Corporation) contributed about 40 percent of global trade; today, TNCs account for 70 per cent of the world's trade. Foreign direct investment from TNCs doubled between the early 1980s and the early 1990s, from \$910 billion to \$1.7 trillion. Due to the large size of these companies, decisions about the location of investments, production and technology by TNCs, not only influence the

distribution of factor endowments, notably of capital, skilled labour and knowledge, between the countries in which they run their activities, but also assume crucial importance for their political and social consequences.

5. THE FOUR PHASES OF CSR DEVELOPMENT IN INDIA

The history of CSR in India has its four phases which simultaneously to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

The First Phase

In the first phase charity and philanthropy (donations) were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period lasted till 1850, wealthy traders shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover these merchants and traders helped the society at the time of famine and epidemics by providing food from their godowns and money and thus securing an respected position in the society. With the arrival of the colonial rule in India from 1850s onwards the approach towards CSR was changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhanian were strongly inclined towards economic as well as social considerations. However it was observed that their efforts towards social as well as industrial development were not only driven selfless and religious motives but also influenced by caste groups and political objectives.

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to focus their dedication towards the progress of the society. This was when

Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. *"I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories."* This was Gandhi's words which points his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various businessmen to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his guidance businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely according to Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase

The third phase of CSR (1960–80) refers to the period of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to set behind public sector. The public sector moved forward for development because of the stringent legal rules and regulations of government that surrounded the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This brought to the legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of the expectation from the public to the private sector and their active deliberate involvement in the socio-economic development of the country became very necessary. In 1965 Indian scholars, politicians and businessmen set up a national workshop on CSR aimed for reconciliation. They emphasized upon transparency, social accountability and regular stakeholder talks and meetings. In spite of such attempts to focus on CSR failed.

The Fourth Phase

In the fourth phase (1980 until the present) Indian companies started moving from their traditional practices of CSR and integrated it into a sustainable business strategy. In 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. This increased growth and momentum of the economy helped Indian companies were growing rapidly and this made them more willing and able to contribute towards social cause.

Globalization has transformed India into an important area in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies who export and manufacture goods for the developed countries need to pay a close attention to compliance with the international standards.

A major challenge for companies today is attracting and retaining skilled workers. This is not only an image gain for the companies using CSR, but it is also important for the employees. The company that is, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety and managing change.

In **India** there are small number of companies which practice CSR. The Indian economy concentrates mainly on a few old family owned companies, and corporate giants such as the Tata and Birla group companies which have led the way in making corporate social responsibility an intrinsic part of their business plans. These companies have been immensely involved with social development initiatives in the communities surrounding their industries. Jamshedpur, one of the prominent cities in the northeastern state of Bihar now in Jharkhand in India, is also known as Tata Nagar and stands out at a beacon for other companies to follow. Jamshedpur was build out from the jungle a century ago. TATA's CSR activities in Jamshedpur include the provision of full health and education expenses for all employees and the management of schools and hospitals.

Despite of having such life size successful examples, CSR in India is in a very nascent stage.

In the informal sector of the Indian economy, which contributes to almost the half of the GNP and where approximately 93% of the Indian workforce is employed, the application of CSR is rare. On the contrary, the fight against poverty, illiteracy, as well as the conservation of the environment is not existent in most of the Indian enterprises.

India has an advantage as far as labor is concerned. To some extent, business and capital go to such places where costs are less or standards are lower like the ones in India. But also in India, the demand for responsible and ethical goods is constantly increasing.

To guarantee the supply of responsible and ethical goods, it is especially important to implement a nationwide system of CSR standards.

Why are governments interested in CSR?

Today Consumers have become increasingly thoughtful to the CSR performance of the Companies from which they buy goods and services. These trends have put the pressure on companies to operate in economically, socially and environmentally sustainable way. Also the standards and laws have been set by Government. The task of Government's is to

make sure that the process of global and economic and social change is managed properly and fairly. Several guidelines or standards have been developed to serve as frameworks for CSR: The OECD Guidelines for multinational Enterprises and the ILO - International Labour Standards form the principles for the societal responsibility of companies and will help to implement CSR on the international level.

Corporate associate as FIICI, CII, and ASSOCHAM promote CSR initiatives among the corporate.

In India constitutional mandate reminds the governmental organizations to take care of CSR initiatives on continual basis. A huge number of plans, policies are made on continuous basis. Ministries like Health and welfare, social justice, HRD, rural development, youth affairs and sports etc take CSR initiative.

In India government has made certain rules and regulation mandatory for spending in CSR activities. The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014.

In 2013 under section 135 government of India has made compulsory spending of 2% of average net profits ... during the three immediate preceding financial year which means companies having net worth of rupees five billion or more, or turnover of rupees ten billion or more or a net profit of fifty million or more during any financial year, have to spend 2% of average net profit made during the three preceding years on CSR activities.

Current State of CSR in India

As discussed earlier, CSR is not a new concept in India. Since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by a increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of additional expenditure but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have organized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well

defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs range from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health and sanitation of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates join hands with Non-governmental organizations (NGOs) and use their expertise in organizing programs which address wider social problems.

For example, a lot of effort is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which takes care after the food, clothing, shelter and medical care of street children.

In a societal structure, we have many stakeholders, one amongst them are companies or Corporate Houses. These Corporate houses are meaningfully contributing from their accounts which impact their internal stakeholders and also open handedly support societal initiatives. Companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country.

Conclusion and Recommendation

CSR has advantages for company, stakeholders as well as to the society CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have a effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

In spite of having such glorious examples; In India CSR is in a very much budding stage. A lack of understanding, inadequately trained personnel, coverage, policy etc. further adds to the reach and effectiveness of CSR programs. Huge number of companies are undertaking these activities superficially and promoting/ highlighting the activities in Media.

Researches however found that the ultimate beneficiaries fail to be fully benefitted out of such initiatives due to poor implementation.

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