

# Corporate Social Responsibility in India

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**Abstract:** India is a developing economy, here Corporate Social Responsibility (CSR) play important role in organizations. In Indian industry one can easily notice a paradigm shift from corporate philanthropist to being socially responsible. 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. Before this Indian industries had materialistic culture. In the hue and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused toward profit maximization which led social backwash. To overcome this fashion CSR play an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it.

Now a day's company have become more transparent in their balance sheet. They are displaying public reporting in their accounting. Companies are incorporating their corporate social responsibility initiative in their annual report. The Indian government not define CSR infect they recast it as responsible business in a voluntary protocol for firms released July 8 2011 by the union minister of corporate affair.

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. I would like to through light on CSR for Indian organization which would be helpful for both economic and social interest which would be futuristic majors to provide valuable information as well as suggest on their CSR practices and performance.

**Key words:** Mass-Media and Journalism Preferences, Senior Secondary School Students

## I. INTRODUCTION

Corporate Social Responsibility (CSR) is viewed as a comprehensive set of policies, practices and programs that are integrated into business operations, supply chains, and decision-making processes throughout the organization -- wherever the organization does business -- and includes responsibility for current and past actions as well as future impacts<sup>1</sup>. CSR involves addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. Effective CSR aims at "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment." Simply put it means "what you do, how you do it, and when and what you say."

Several terms have been used interchangeably with CSR. They include -- business ethics, corporate citizenship, corporate accountability, sustainability and corporate responsibility.

The issues that represent an organization's CSR focus vary by size (small, medium and large), sector (for example, financial institutions, infrastructure providers, textile manufacturers, agri-producers, supermarket retailers, etc.) and even by geographic region. In its broadest categories, CSR typically includes issues related to business ethics, community investment, environment, governance, human rights, the marketplace and the workplace.

## II. OBJECTIVES

- To study the CSR status in India.
- To understand the meaning and various models of CSR.
- To study the policies governing CSR in India.
- To study the challenges faced by CSR in India.
- To make suggestions for accelerating CSR initiatives.

## III. LITERATURE REVIEW

Can shareholder money be used for a company's corporate social responsibility (CSR) practices? Shouldn't shareholders have a say in the CSR activities of the company they are invested in? As per ACCSR's State of CSR in Australia Annual Review report Full understanding of CSR still emerging; There are many obstacles are emerging while adopting successful CSR strategies include the difficulty in making a business case for CSR, difficulty in integrating CSR with organizational values and practices, and the lack of organizational buy-in and commitment to CSR. Other obstacles reported is the lack of time and financial resources to pursue CSR practices are directly related to the above three. When an organization finds it hard to make a business case for CSR or link it to core organizational operations, it will be reluctant to commit and allocate resources or time to such practices.

Moreover, these obstacles also point to another set of findings in the report: respondents view CSR more so as a means to

manage regulatory impacts, reduce risk, and respond to stakeholders concerns, and to a lesser extent as a strategic source of competitive advantage.

#### IV. CSR IN INDIA

Mahatma Gandhi, the charismatic visionary leader who brought the cause of India's independence from British colonial rule, was a person who in several respects was ahead of his time. His view of the ownership of capital was one of trusteeship, motivated by the belief that essentially society was providing capitalists with an opportunity to manage resources that *should really be seen as a form of trusteeship on behalf of society in general*. Today, the world is coming round full circle in emphasizing this concept through an articulation of the principle of social responsibility of business and industry<sup>4</sup>. And this trend is no different in India either.

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 had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment (Shinde, 2005). It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resourced to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social

overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of "Social Responsibility." (Gupta, 2007)

The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then refined by Wartick and Cochran (1985). In Sethi's 1975 three-level model, the concept of corporate social performance was discussed, and distinctions made between various corporate behaviors. Sethi's three tiers were 'social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) (Cochran, 2007).

The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations (Mohan, 2001).

This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company programs, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Working Document of EU India CSR, 2001). In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails. 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).

According to Infosys founder, Narayan Murthy, "social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment." Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders (Bajpai, 2001). The 2001 State of Corporate Responsibility in India Poll<sup>11</sup>, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

#### **Ethical Model (1930 – 1950)**

One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage

their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

#### Statist Model (1950 – 1970s)

Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

#### Liberal Model (1970s – 1990s)

The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

#### Stakeholder Model (1990 – Present)

The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below:

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K. Gandhi
Statist	State ownership and legal requirements determine Corporate responsibility	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners (Shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders- customers, employees, communities, etc	R. Edward Freeman

#### Challenges of CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies’ decisions-making in this direction. It has become imperative to incorporate stakeholders’ views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector.

Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they loose out on people and their trust in them.

Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard.

The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

### V. ISSUES & CHALLENGES

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

#### The Shrinking Role of Government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

#### Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

#### Increased Customer Interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

#### Growing Investor Pressure

Investors are changing the way they assess companies’ performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility.

#### Competitive Labour Markets

Employees are increasingly looking beyond paychecks and 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.

### **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. Dr Ratnam said the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprises expectations can also vary.

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally 82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey. The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team. These challenges are listed below:

### **Lack of Community Participation in CSR Activities**

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instil confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

### **Issues of Transparency**

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds.

### **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 donor-driven than local in approach. As a result, they find it hard to

decide whether they should participate in such activities at all in medium and long run.

### **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. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile.

### **Lack of Consensus on Implementing CSR Issues**

There is a lack of consensus amongst local 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 local 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.

### **Suggestions**

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities.

Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organisation's contribution further. Government regulations which are supporting in this direction could attract more response from organisations. All this would also lead to benchmark CSR activities.

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. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

## **VI. CONCLUSIONS**

Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in „spending“ on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives.

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