



AN ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY & ITS PRACTICES IN INDIA

Dr. Sanjeev Bhatnagar

Professor, Dept. of Management, Dayalbagh Educational Institute, Dayalbagh, Agra.

Abstract

Over the years Corporate Social Responsibility (CSR), in India, is rapidly picking up pace. CSR has become a fundamental business practice and has gained much attention from the management of large international companies. It facilitates the alignment of business operations with social values.

CSR implies that companies have important social role in various segments of the society which are directly or indirectly affected by the company. CSR is a business capacity to respond to the society pressures and gained momentum and prominence in the Indian society due to overall growth of the company form of organization. It reflects the corporate social and environmental sustainability commitments to clients, shareholders, employees and communities around the world.

CSR is deemed as a point of convergence of initiatives aimed at ensuring socio-economic development of the community. Acknowledging the fact that mainstreaming CSR into businesses could be instrumental in delivering societal value, especially in a developing country like India. This paper aims at providing an understanding of concept of CSR and analyses the development of CSR & its practice in India. It highlights the policies governing CSR, challenges facing CSR in India and suggestions to overcome them and accelerate the CSR initiatives in India.

Key Words:*Corporate Social Responsibility, Environmental Sustainability, Socio-Economic Development, Societal Value, Alignment Of Business Operations, CSR Initiatives Sound Business Management*

Introduction

“A company should have in its DNA, a sense to work for the welfare of the community. CSR is an extension of individual sense of social responsibility. Active participation in CSR projects is important for a company” - Ratan Tata

Corporate Social Responsibility has gained prominence from all avenues. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. CSR is a commitment by a company to manage its roles in a society in a responsible and sustainable manner. CSR is linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities.

It stems from the desire to do well and get self satisfaction in return as well as societal obligation of business. As an engine for social progress, CSR helps companies live up to their responsibilities as global citizens and local neighbors in a fast-changing world. For Indian businesses, CSR can be a source of opportunity, innovation, and competitive advantage while at the same time providing with the opportunity to actively contribute to the sustainable development. Organizations in India have been quite sensible in taking up CSR initiatives and integrating them in their business processes.

It has become progressively projected in the Indian corporate setting and also important to shape responsible and supportable relationships with the community at large.

CSR as: Initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their stakeholders. - International Organization of Employers (IOE).



CSR as: The social responsibility, to create maximum shareholder value working under the circumstances where it is fair to all – its stakeholders, workers, consumers, the government, the community and the environment.

Need of the study

Corporate Social Responsibility (CSR) is an effective way of achieving and maintaining sound business management. By carrying out social responsibility a company can actually enhance its own economic value and brand image as well as benefits the society. In addition, companies and other organizations are required to have accountability towards stakeholders such as consumers, investors, employees, local residents etc. while utilizing the resources of society. This practice is voluntary in nature though the Indian Government Parliamentary Standing Committee on Finance has proposed mandatory corporate social responsibility (CSR) by companies as part of change to companies" bill 2009. The committee has stated that every company having net worth of Rs.5000 cr. or more, or a turnover of Rs.1000 cr. or more, or a net profit of Rs.5 cr. or more during a year shall be required to spend every year at least 2% of the company's average net profit on CSR activities. There are no standard framework and guidelines for CSR practices. Most of the companies are following Global Reporting Initiative (GRI) guidelines but still there is a need to form standard guidelines for CSR practices. Therefore, there is a need to study various theories and practices of CSR prevailing in the world so as to frame a standard guideline for CSR practices.

Literature Review

a) National level

1. Omweno Nyameyio Enock & Dr. Kundan Basavaraji, Kuvempu University (2013)- Corporate Social Responsibility of TATA and ITC Company: A Comparative Study.
2. Bhupender & Vikas Kumar Joshiya, Assistant Professor , University of Delhi (2012)- Issues and Challenges of Corporate Social Responsibility in 8 implementation.
3. Dr. Arvind Jain, Senior Manager(SME), Axis Bank Ltd., Rajkot (2012)-Corporate Social Responsibility:An Explorative Review
4. Soheli Ghose, Assistant Professor, Department of Commerce, J.D. Birla institute, Jadavpur University (2012)- Globalization of Corporate Social Responsibility Focussing on Indian Markrts
5. Hurratul Maleka Taj, MBA, Narsee Monjee Institute of Management Studies, Mumbai (2011)- Corporate Social Responsibility, Sustainable Development : Performance Measures and Indicators.

b) International Level

1. Alex Edmans (2012)- The Link Between Job Satisfaction and Firm Value, With Implications For Corporate Social Responsibility
2. Stephen Brammer, Gregory Jackson, and Dirk Matten (2012) – Corporate Social Responsibility and Institutional Theory: New Perspectives on Private Governance.
3. Martin Surya Mulyadi and Yanita Anwar, BINUS University, Jakarta, Indonesia (2012)- Impact of Corporate Social Responsibility Towards Firm Value & Profitability.
4. Yisau Abiodun Babalola, Accounting & Auditing Department, Volodymyr Dahl East Ukrainian National University, Ukraine (2012)- The Impact of CSR on Firm's Profitability in Nigeria.
5. Llara Bissacco, Paolo Maccarrone and Cristina Spinelli Politecnico di Milano, Italy (2010)- The Strategic Approaches to CSR by Large Companies: A Contingent Model.

Objective

1. To develop an understanding of concept of CSR
2. To analyze the CSR initiatives & development in India and its changing trends
3. To study the challenges faced by CSR in India
4. To provide suggestions for accelerating CSR initiatives



Research Methodology

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

CSR Origin and Development in India

Over the years CSR has gained importance in India as companies are realizing the importance of investing in CSR for achieving benefits of creating share holder value, increased revenue base, strategic branding, operational efficiency, better access to capital, human and intellectual capital and lower business risk. CSR has emerged as an effective tool that synergizes the efforts of Corporate and the social sector towards sustainable growth and development of societal objectives at large.



CSR in India has evolved in four phases. In the first phase, charity and philanthropy were the main drivers of CSR. During the second phase, there was increased stress on Indian.

Industrialists to demonstrate their dedication towards the progress of the society. The third phase of CSR had its relation to the element of mixed economy, emergence of Public Sector Undertakings and laws relating labor and environmental standards. During this period the Private sector was forced to take a backseat.

In the fourth phase, Indian Companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause.



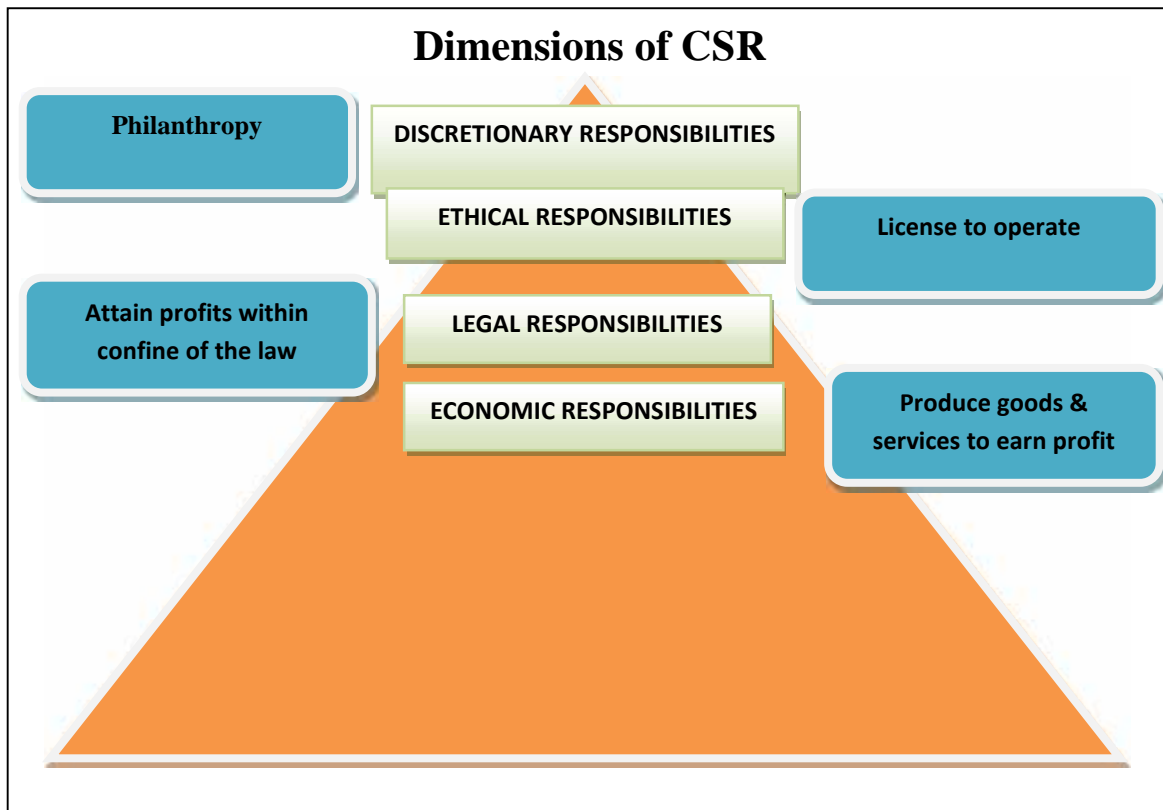
The concept of CSR has been imbibed in Indian society from the very beginning. Dr.Kurien’s Amul-led Operation flood had pioneered inclusive growth through work with dairy farmers at grass-root level, changing lives, enhancing income, empowering women and at the same time reaping benefits to the business.

At Indian Oil, Corporate Social Responsibility (CSR) has been the cornerstone of success right from inception in the year 1964. The Corporation’s objectives in this key performance area are enshrined in its Mission statement: "...to help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience."

Before Corporate Social Responsibility found a place in corporate lexicon, it was already textured into the Birla Group's value systems. As early as the 1940s, the founder G.D Birla espoused the trusteeship concept of management. Simply stated, this entails that the wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. With regard to CSR, this means investing part of our profits beyond business, for the larger good of society.

Dimensions of CSR

Social responsibility is the newest of four dimensions of Corporate Social Responsibility, which currently paying more attention than it has previously had. Social responsibility is being accountable for the social effects; the company has on people and even indirectly. This includes the people within the company, in the supply chain of the company, in the community of the company and as customers of the company.



Dimensions indicate the management’s obligation to make choices and take actions which usually contribute to the welfare and interests of society as well as those of the organization. Key Dimensions of CSR:



First, Economic responsibility covers integrity, corporate governance, economic development of the community, transparency, prevention of bribery and corruption, payments to national and local authorities, use of local suppliers, hiring local labor. The Legal responsibility focus on triple bottom line concept (3P): People, Planet & Profit

- People relates to fair & beneficial business practices towards labor, the community and region where corporation conducts its business. Support from people (society) in business area is needed for corporate sustainability.
- 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.
- Profit is the economic value created by the organization after deducting the cost of all inputs including the cost of the capital tied up. 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.

Thirdly, Ethical responsibility highlight the foundation of all dimensions, as whenever the CSR is highlighted, the ethics and morality always merging in it. This indicates a degree of commitment to responsible behavior which moves beyond the spheres of compulsion and compliance. If companies take practical steps to embed CSR into business processes and procedures irrespective of economic considerations, than this demonstrates commitment.

Finally, Discretionary responsibility focuses on precautionary approach to minimize adverse impacts support for initiatives promoting environmental responsibility, developing and diffusing environmentally friendly technologies aspect.

Changing Trends in CSR: from Charity to Responsibility

The history of CSR reveals that till 1990s corporate was solely dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often restricted themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for the initiatives, thereby reducing the efficacy and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility. The CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

CSR in Small Medium Enterprises (SMEs)

Companies in India with a net profit of more than US\$750,000 (Rs 5 crores) in a single financial year are mandated by the government to spend a minimum of two percent of their average net profits of the last three years (before tax) on social causes in the country.

Breakdown of CSR expenditure in India (US \$ billions)

| Financial year | Total number of companies | Total number of CSR projects | Total amount spent on CSR | Sectors with largest share of CSR expenditure |
|----------------|---------------------------|------------------------------|---------------------------|--|
| 2014-15 | 14,944 | 7,959 | 1.44 | 0.45(education, differently able and livelihood) |
| 2015-16 | 19,184 | 17,423 | 2.08 | 0.70(education, differently able and livelihood) |
| 2016-17 | 6,286 | 11,597 | 0.71 | 0.18(health and sanitation) |

Source: National CSR data portal



The SMEs in India have grown phenomenally during last few years and have significant contribution in industrial output and exports from the country. On average, in India, 70 percent of CSR contributions originate from private companies. They account for more than 80% of industrial enterprises and contribute to one of the highest shares of employment in the country especially in sectors like textiles, engineering, jute, auto ancillary, handicrafts etc. A thriving SME sector is crucial as an independent and as a supporting industry for large enterprises as well as MNCs. Awareness about CSR is found to be very low amongst SMEs, however, many of them do carry out activities and implement CSR programmes without focusing on the term 'CSR'. The overwhelming motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to 'doing the right thing' or 'putting something back' or showing 'entrepreneurial spirit'. In the changing business scenario, it is important to work with and involve SMEs in promoting responsible business behavior that focuses on key stakeholders i.e. suppliers, customers, employees, community and the environment.

Challenges of CSR

1. lack of proper understanding of the concept of CSR,
2. Non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc.
3. Lack of community participation in CSR activities
4. Need to build local capacities
5. Issues of transparency
6. Non-availability of well-organized non-governmental organizations

Suggestions

To make CSR initiatives more effective:

1. Need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective
2. Appropriate steps are required to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.
3. The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution to CS initiatives.
4. Monitoring CSR activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes.
5. A long term perspective by organizations, which encompasses their commitment to both internal and external stakeholders will be critical to the success of CSR and the ability of companies to deliver on the goals of their CSR strategy

Conclusion

CSR is about ensuring that the company can grow on a sustainable basis. It has successfully interwoven business with social inclusion and environment sustainability. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

References

1. Drucker, P, 1982, The new meaning of Corporate Social Responsibility.
2. California Management Review, vol. 26 pp53-63
3. Bowen.H. 1953. Social Responsibility of Businessman, New York: Harper.
4. Carroll, A.B. 1999. Corporate Social Responsibility. Business and Society 268-295.
5. Garriga,E., and Domenec,M. 2003. Corporate Social Responsibility theories.



6. Soheli Ghose (2012) "Globalization of Corporate Social Responsibility focussing on Indian Markets", IOSR Journal of Business and Management (IOSRJBM), Vol.2, Issue 4(July-Aug.), pp. 41-48.
7. Dr. Mohammad Khalil Ahmed "Corporate Social Responsibility in Indian Organisations", Maratha Mandir"s Babasaheb Gawde Institute of Management Studies.
8. Dr. K. Krishna Kumar and K. Radha (2012) "A view on corporate social responsibilities in India", The Economic Challenger, No.14, Issue 55, April-June, pp. 72-75.
9. B. Arora and R. Puranik(2004), "A review of corporate social responsibility in Indian development", Vol.47 No.3,pp.93-100.
10. Lokaranjan Guha (2011) "Corporate social responsibility rating: India focus", The IUP Journal of Management Research, Vol. 10, No.3, pp. 28-41.
11. Corporate Social Responsibility in India- A Study of Management Attitudes, Author: C.Gopala Krishna, Publisher: K.M. Rai Mittal, Mittal Publications, New Delhi.
12. Corporate Social Responsibility, Author: David Crowther, Guler Aras & Ventus, publisher: APS, Edition-1, ISBN: 978-87-7681-415-1.
13. Corporate Social Responsibility in India, Author: Sanjay. K. Agarwal.
14. Corporate Social Responsibility in India, by Professor Leo Burke, Publisher: Times foundation.