

From Share Holder to Stakeholders: Trends in Corporate Social Responsibility

Mr. Om Krishna

Assistant Professor, Seedling School Of Law Governance, Jaipur National University

Abstract: *CSR as a concept has been the focus of various deliberations and much research over the past few years and has occupied an important phase on academic and management and business field. India is first country to have legislated CSR mandates. Sweden, Norway, UK, S.Africa, Ghana etc follow some specific regulations for socially acceptable business practices like SLP (Social Labour Plan), LCL (Local content Law). The ongoing revolution of communication technology and the effectiveness of knowledge based economics has created a new modal of business and corporate governance. Growing awareness regarding environmental sustainability, sustainable development with utter stress on ITC have made way for new generation of business managers who are concerned about customers, concerned about – the society and environment. This paper is an endeavor to highlight the historical roots of CSR and trends evolving from time to time. In 21st century there has been race among the countries to compete each other's compromising with the common people who are their own customers, value and ethics needs to be incorporated in corporate sector, they need to be value laden not value neutral. Liberalisation of economy in 1990s led to a fundamental shift from the philanthropy based model to a multi-stakeholders approach whereby companies are deemed responsible for all stakeholders including financial, employees and community.*

Key-words: *regulation, sustainability, generation, customers, ethics, neutral. Liberalisation.*

INTRODUCTION

Capitalism as an economic ideology has dominated in world today. It stands for profit maximization. Profit is hardcore mantra of hardcore capitalist economy. Of late a new concept has been evolved called co-operational capitalism which apart from profit motive focused on accountability and values in social context. For new generation of business managers profit optimization is more important than profit

maximization. These are several themes that overlap with CSR like corporate citizenship, sustainable business, environmental responsibility, business ethics, corporate accountability, etc.

CSR has got different perspective like business perspective, eco social perspective and right based perspective. It now emphasizes on new business strategy that reduce investment risk and maximize profit by taking into account several stakeholders into confidence. It stands for recognizing the fact that social and environmental stability and sustainability are basic prerequisite for sustaining in global competition. It stresses on transparency, social and environmental investment to be made as social responsibility towards society.

HISTORY AND EVOLUTION

India has the world's richest tradition of corporate social responsibility. The term may be new to India but the concept dates back to Mauryan history where Chanakya emphasized on ethical practice and principles in conducting business. It has been informally practiced in Vedic times also in form of producing charity to poor's and vulnerable section of society. India has deep rooted culture of sharing and care.

Indian religion have promising role in developing of ethics in transactions in goods and services. Islam had a law called *jakat* which emphasized that part of earnings must be given to needy poor and deprived. Merchants generally called *Vaishyas* in ancient India use to construct temples; night shelters (dharmashalas) ponds for poor communities. Hindu use to follow Dharman where manufacturers or seller charged specific amount from the purchaser which was used for charity. In the same fashion Sikhs use to have *Dashansh* in order to help needy and poor.

THE EVOLUTION OF CSR IN INDIA

The **phase I** can be broadly taken from (1850-1914). It was the age of philanthropy and charity. Family values, tradition culture religion played

significant role. At the time if natural calamities business classes use to open graneries for needy people. In 1900s the industrialist like Tata's, Birlas, Modis, Bajaj setup different educational institutes, hospitals and charitable institutions. The **phase II** can be taken roughly from 1910-1960. It was the period of intense freedom struggle. Mahatma Gandhi urged the business classes to help the poor Indians. This concept of Trusteeship helped socio-economic growth of nation. Industrialist setup and founded several research institutions, training centers. Lot of donations charity was given to empower women and rural development. The **phase III** (1950-1990) was characterized by growth if Public sector undertaking PSU's. The policy of industrial licensing and taxes and restrictions on the private sector resulted in corporate malpractices which triggered suitable legislation on corporate governance, labour and environmental issue. In the **last phase** (1990 onwards) CSR became characterized as a sustainable business strategy. Indian economy showed phenomenal growth because of LPG model of new economy policy. There was increased momentum towards industrial growth what started as charity is now understood and accepted as responsibility.

MODELS OF CSR AND SOCIAL PHILOSOPHICAL DIMENTIONS

In a country like India there exists a gap between sections of people in terms Income standard as well as socio- economic status. Narayan Murthy, the founder of Infosys once remarked that "social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers consumers, and community, government and environmental. Tata Energy Research Institute(TERI) conducted a survey in 2001 named States of Corporate Responsibility in India poll, has came up with a distinct findings and postulated that evolution of CSR in India has followed a chronological evolution of different approaches and models:

1. Ethical Model (1930 – 1950):- Under this model business enterprises were motivated to manage their business as a trust as postulated by Mahatma Gandhi. The idea was that this will contribute to socio-economic development of nation.
2. Statist model (1970s- 1990s):- Under this, Industrialists in India was driven by socialist kind of economy under guidance of Pandit Nehru. Corporate responsibilities were well guided by state.
3. Liberal Model (1970s – 1990s):- the model was inspired by Mellon Friedman. Corporate responsibility is conferred to its

economic bottom line. It was postulated that it is sufficient for business to obey the law and generate wealth which through taxation and private charitable choice can be generated so societal needs.

4. Stakeholder Model (1990- present) it was of late realized that with growing economic profit the business enterprise has to play an important role for society. The model expects companies to perform according to "triple bottom line approach".

CSR: IN RETROSPECT AND PROSPECT

The idea of CSR first arose in 1953 when it was first became an academic topic in H.R.Bowen's "social responsibilities on the Business". One of the most contemporary definitions is from World Bank Group stating "CSR is the commitment of business to contribute to sustainable economic development by working with employees their families, the local community and society at large to improve their lives in ways that are good for business and for development". Draft Corporate Social Responsibility Roles 2012 states that CSR is a way of conducting business, by which corporate entities contributes to social goods.

CSR UNDER COMPANIES ACT, 2013: AN OVERVIEW

Company's act 2013 has introduced mandatory corporate social responsibility. Section 135 provides the broad legal framework leaning a scope of varied interpretation whether it is really mandatory or simply having a CSR policy and spending some money and disclosing the reason doe non spending of 2% of average net profit using second proviso to section 135(5).

The CSR committee shall be constituted fulfilling the criteria specified in section 135(1) which shall formulate and recommend tp the Board, a CSR policy which shall indicate the activities to be undertaken by the company as specified on Schedule VII such as education, empowering women, ensuring environmental sustainability, protection of National Heritage, measures for benefit of armed forces veterans & Contribution to PMNRI etc.

Tata steel in course of the year has contributes substantially and approximately, 145,600 persons has been treated by the company's mobile medical units. Drishti, a unique joint initiative of RIL and National Association of Blend project Drishti has undertook over 9000 free corneal graft surgeries.Hazira Manufacturing division's DOTS

HIV/AIDS is one of the largest Anti-retroviral Treatment Centre (HRT CENTRE) in the country. A 22 bedded hospital for HIV/AIDS patients has been commissioned. Lassen & Toubro, Reliance India Ltd, NTPC have also contributed substantially on countries growth and development

CSR INITIATIVES AND GREEN MEASURES

India Inc has joined hands to fine-tune all its activities falling under CSR. For this, it has set up a global platform to showcase all the work done by Indian firms. Confederation of Indian Industry (CII) and the TVS Group collaborated to form the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It provides consultancy services and technical assistance on social development and CSR. According to a National Geographic survey which studied 17,000 consumers in 17 countries, Indians are the most eco-friendly consumers in the world. India topped the Consumer Greendex, where consumers were asked about energy use and conservation, transportation choices, food sources, the relative use of green products versus traditional products, attitudes towards the environment and sustainability and knowledge of environmental issues.

- Reliance Industries and two Tata Group firms—Tata Motors and Tata Steel—are the country's most admired companies for their corporate social responsibility initiatives, according to a Nielsen survey released in May 2009.

- As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribals in the Sasan area of Gir forest.

- State-owned Navratna Company, Coal India Ltd (CIL) will invest US\$ 67.5 million in 2010-11 on social and environmental causes.
- Public sector aluminum company NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its Corporate Social Responsibility (CSR).

CHALLENGES FOR CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders now a days are questioning more on CSR initiatives today. They are challenging the companies decisions-making in this direction and are of view that now 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 sufficient budget allocations followed by lack of support from employees and lack of technical 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 undertaking them are failing to disclose it to the society. In the process they are losing trust in them.

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction is more important for them. They are under impression that the customer satisfaction is now only about price and service, but they fail to understand an important change that are taking place worldwide that could blow the business out of the water.

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. There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations. There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers

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. There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely because of the fact that there exists little or no knowledge about CSR within the local communities. The situation is further aggravated by a lack of communication between the company and people at the bottom.

It is also reported that 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. 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.

There are no clear cut statutory guidelines or policy directives to give proper 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. 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

CONCLUSIONS

The liberalization of economy has led to increased presence of large scale infiltration of large MNCs like Microsoft, IBM and other on Indian soil which thereby exposed India to a highly developed regime of CSR initiatives. Corporate sustainability is an evolving process in a developing country like India not an end in itself. The Companies bill 2013 is a good initiative on the part of the government however several clauses are still 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' expectations. We are all aware of the fact that India is becoming one the fastest growing economy in the world with soaring growth rate but coming to other aspect regarding social benefits to the people its track record is very satisfactory if not bad. In spite of several initiatives taken by several corporate houses which has been discussed above we need serious introspection of what we claim and what we achieve. If experts are to be believed India is still in the nascent stage in adopting CSR initiatives and accepting accountability in this regard. In India CSR is misunderstood for charity by large number of corporate houses. It is merely taken as policy matter not something that brings good to community as whole. Not only planning is done proper implementation. Monitoring and vigilance needs to be done particularly when we are at cutting throat completion in post liberalization age.

REFERENCES

1. Ashwani Singh "Trust and Corporate Social responsibility: Lessons from India" the Hindu group of publications, Wednesday, June 23, 2010.
2. Arora, B. and Puranik. (2004), "A Review of Corporate Social Responsibility in India", Development, 47 (3), pp.93-100.

3. Banerjee, P. K. (2003), "Corporate Governance & Business Ethics in the 21st Century", ICFAI Journal of Corporate Governance, Vol III No 2
4. Ghosh .T.P. Company Act 2013, Taxmann Publication
5. Krishnan, S. (2001). "Corporate social responsibility: How and why in India", Retrieved from http://www.coolavenues.com/know/m/corporate_citizenship.php3 (Accessed February 10th 2011)
6. Mohan, A. (2001), "Corporate Citizenship: Perspectives from India" , Journal of Corporate Citizenship, Spring, pp 107-117
7. Moon Urmila Head Department of Commerce, corporate social responsibility in india Ramnarain Ruia College Mumbai
8. Rajeev Prabhakar and Ms. Sonam Mishra." Study of Corporate Social Responsibility in Indian Organization: An-Introspection". Proceedings