

An Evaluation of Corporate Social Responsibility with Special Reference to India

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Abstract: *This paper tries to explore the trends of Corporate Social Responsibility (CSR) of Indian enterprises. The rules expanded the definition of CSR activities to include preventive healthcare, sanitation, providing safe drinking water, protection of national heritage, rural development projects and measures to benefit armed forces veterans. Corporate social responsibility (CSR) is gaining more and more importance day by day. Today, we are living in the era in which companies, businesses and society are more connected and interactive than ever before in the past. Corporations are more aware of their responsibility towards the commonwealth and the environment that comes with a growing realization that they, as an integral part of this society themselves, can contribute to its upliftment and empower of the entire country in turn. CSR is a crucial bridge between organizations and society and also a means to create awareness amongst corporate, NGOs, civic bodies and government of the value and importance of social responsibility to bridge the gap between the privileged and the disadvantaged of society. It facilitates and creates the environment for true good partnership between civil society and business. More importantly, CSR is the point of convergence of various initiatives aimed at ensuring socio-economic development of the community which would be livelihood oriented as a whole in a credible and sustainable manner. There does seem to be a glimmer of hope from the rapidly growing field of CSR and from the greater involvement of companies in providing private funds for relief. CSR issues are attracting a great deal of attention in the developed world; there is a need for more research into CSR in the developing world. This paper considers the CSR practices of a small sample of multinational corporations (MNCs) and local firms in India to better understand the perspectives and trends in India.*

Keywords: *Corporate Social Responsibility, multinational corporations, socio-economic development, environment, business ethics.*

Introduction

The government has identified 10 major areas including education, gender equality, environment, national heritage and the Prime minister Relief fund where India can spend to claim credit for the

mandatory 2% Corporate Social Responsibility expenditure. Under the new Companies Act, mid and large companies have to spend 2% of their three-year annual average net profit on CSR activities. The government expects a significant step up in spending on CSR projects by companies. The activities which can be included by companies in their CSR policies include: eradicating hunger, poverty, malnutrition and promoting preventive healthcare, promoting sanitation and availability of safe drinking water, promoting education, promoting gender equality, ensuring environmental sustainability, protection of national heritage. Those spending for the benefit of armed forces veterans, war widows and their dependents would be eligible to cover the expenses under CSR spending rules. Under gender equality activities related to empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day-care centre's and similar facilities for senior citizens and projects on reducing inequalities faced by socially and economically backward groups have been included. Spending on training to promote rural and nationally recognized para-olympic and Olympic sports would also qualify for credit under the CSR rules. Rural development projects and contributions or funds to technology incubators located within academic institutions and approved by the government would also be approved under this category.

Corporate Social Responsibility (CSR) is the soul of every business these days. It has also become the password to not only overcome competition but to ensure sustainable growth. It has been supported not only by the shareholders but stakeholders by and large encompassing the whole community. CSR in truth is the alignment of business operations with social values. It takes into account the interests of stakeholders in the company's business policies and actions. It focuses on the social, environmental, and financial success of a company - the so-called triple bottom line - with the aim to achieve social development while achieving business success. Social Responsibility of business refers to what business does over and above the statutory requirement for the benefit of the society. The word "responsibility" emphasizes that the business has some moral obligations

towards the society. The term corporate citizenship is also commonly used to refer to the moral obligations of the business towards the society. It implies that like individuals, corporate are also the part of the society and their behavior shall be guided by the social norms. Social Responsibility has been defined by Davis as follows: “Social responsibilities refer to businessman’s decision and

actions taken to reason at least partially beyond the firm’s direct economic or technical interest.”

The companies should continue their contribution in social responsibility and enhance their approach by carrying out all operations in an ethical manner following essential values. These strategies would certainly assist in the company’s governance in the industry.

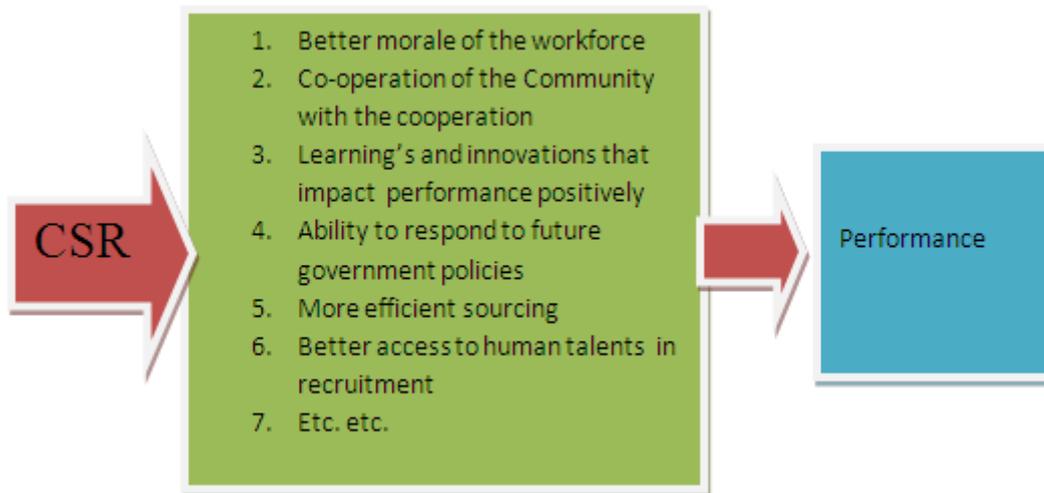


Fig. 1: CSR Framework

Objectives of the study:

- To explore the various definitions and descriptions of Corporate Social Responsibility,
- To study the Business benefits and importance of CSR
- To study the theoretical concepts and Phases,
- To elaborate upon development of CSR in Indian companies,
- To study the deployment of current CSR practices in Indian companies.

MATERIALS AND METHODS

This study is purely based on secondary data .The research conducted for this study consists of several parts. The sources of this paper selected for study is based on the data published by Companies website available through internet. The secondary data was collected from journals, internet, magazines, newspaper reports, Parliamentary committees and by referring different Books etc.

Definition of Corporate Social Responsibility

It would be interesting to derive a meaning of the concept with the dissection of each of the words. CSR is not a difficult concept and can be explained as:-

- Corporate – means organized business
- Social – means everything dealing with people, the society at large;

- Responsibility – means accountability between the two parties;
 From the above, CSR could be defined as the process of business operations carried out while ensuring compliance with legal requirements, as also linked to ethical values, to an extent. ‘CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It is designed to deliver sustainable value to the society at large as well as to the shareholders.

Business Benefits of CSR

In this section some of the benefits of business which can be associated with corporate social responsibility are discussed. The efficient use of resources in a business to benefit all the stakeholders involved has an across-the-board impact on financial performance and reduced operating costs. This ultimately results into increased revenue for the businesses. This usually happens if a sense of social responsibility spreads throughout the organization in all the business processes and become a routine practice amongst its employees (Agarwal, Sanjay K., 2008).

As the competitive atmosphere further increases amongst the companies in today’s ever changing nature of businesses; product differentiation is becoming more difficult with the blurring margins.

The companies which are improving their image by showing socially responsible behaviour are assured of sustainability in effectively differentiating their brands from their competitors. Touching the emotional cord is another way to create soft-corner in the minds of people. Consumers not only buy safe and healthy products but they now give preference to the products produced in socially and environmentally responsible way. Emergence of 'cause-branding' and 'eco-labeling' substantiates the above principle with greater emphasis than ever. Further, in socially inclined businesses there seems to be the development of a natural soft-corner in the minds of employees towards their employers. These social initiatives additionally help in attracting and retaining best available talent in the industry as these employees tend to develop a tendency to contribute to society in longer run. It is further observed that there is an attitude of leniency on the part of government and regulators towards socially inclined businesses practicing corporate social responsibility. These companies are found to be getting away with preferential treatment in many licensing and regulatory aspects of their businesses. Further, financial institutions are also now giving preferred treatment to the companies with social sustainability as they have found relevance of sustainable development and governance on equity valuations.

Importance of CSR

Business organizations are economic organizations to be run with the objective of earning profits. They arrange and acquire various resources and mobilize and utilize them for their economic pursuit. So if they earn profits out of it, the question arises whether they should feel obliged to and accept their obligations towards society. As a socio-economic entity, they are obligated to make both economic as well as social contributions towards society. In particular, CSR focuses on an organization's ethical and discretionary responsibilities. Ethical responsibilities include fairness to customers and employees, honesty and integrity in all dealings, and a responsibility to ensure that the general public is kept informed about corporate issues and developments. Discretionary responsibilities include providing monies for charities (often marks and scars), supporting training programmes for the long-term unemployed, as well as protecting degradation of the natural environment and helping in its renewal.

The Four Phases of CSR Development in India

The history of CSR in India has its four phases which run parallel 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.

First Phase of CSR

In the first phase charity and philanthropy 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 which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral 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, and Singhanian were strongly inclined towards economic as well as social considerations. However it has been 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.

Second Phase of CSR

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate 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 highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development (3). According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

Third Phase of CSR

The third phase of CSR (1960-80) had its relation to the element 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 take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding 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 led to enactment of 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 expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

Fourth Phase of CSR

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with 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. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about and labour and environmental standards in the developing countries,

Indian companies who export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

CSR IN INDIA: A BRIEF HISTORY

In India, CSR is known from ancient time as social duty or charity which through different ages changing its nature in broader aspect, now generally known as corporate social responsibility (Gupta, 2007). Kumar et al., (2001) averred that the origin of business leads towards excess wealth, social and environmental issues have deep roots in the history of business and over the time four different models have emerged all of which can be found in India regarding CSR. The concept of CSR gained global prominence in the last ten or 15 years. The rise of CSR can be attributed to the process of globalization and to the increase in the reach of Multi National Corporations (MNCs). Globalization increased the reach and numbers of the MNCs, and new channels of production, labor and marketing have been

established across the world. Now these MNCs increasingly deal with multicultural and multi-regulatory environments while customers on the other hand, are increasingly aware and conscious about the means and methods of production, and demand more than “value for money” while making product choices. Therefore, CSR deals with different stakeholders, builds a positive public image, and meet customer demands (Gupta, 2007).

A number of recent surveys have been conducted in India to understand what Corporate Social Responsibility (CSR) means in the Indian context, what the expectations of different stakeholders are and the drivers and barriers facing companies. It traces back the history of CSR in India and suggests that there are four models:

- **Ethical Model by Mahatma Gandhi:** The ‘ethical model’ as suggested by Mahatma Gandhi, where companies voluntarily committed to public welfare and participated in nation building.
- **Statist Model by Jawaharlal Nehru:** Then followed the ‘statist model’ post India’s independence propounded by Jawaharlal Nehru. This model calls for state ownership and legal requirements of CSR.
- **Liberal Model by Milton Friedman:** The ‘liberal model’ by Milton Friedman talks about CSR being limited to private owners or shareholders.
- **Stakeholders Model by R. Edward Freeman:** And the latest is the ‘stakeholders model’ championed by R. Edward Freeman, which calls for companies to respond to all stakeholders needs. All these four models co-exist in India today. One of the weaknesses of the current system is that the agenda is set by the industrialized world with little understanding of the diversity of approaches and track record in other parts of the world. Some of the main findings are follows:
 - a) Environmental pollution was regarded with great concern by all groups.
 - b) The main expectation of the companies by the public was that they provide good quality products at low prices, treat employees well without discrimination, protect the environment, help bridge the gap between the rich and the poor, and help in social and economic development.

CSR initiatives in India: A Study of selected Companies

Tata Steel

Tata Steel’s Corporate Social Responsibility Policy, its Managing Director, Mr. B. Muthuraman, said; “Tata Steel believes that the primary purpose of a business is to improve the quality of life of people. Tata Steel will volunteer its resources, to the extent it can reasonably afford, to sustain and

improve the quality of life of the people of the areas in which it operates". Tata Steel's commitment to its corporate social responsibility (CSR) also finds reflection in its adoption of the Corporate Citizenship Index, Tata Business Excellence Model and the Tata Index for Sustainable Development. Tata Steel spends 5-7 per cent of its profit after tax on several CSR initiatives. Broadly speaking, the company's CSR initiatives are spread across three core areas - employee welfare, the environment and the welfare of the community at large. Under this broad spectrum, diverse areas are covered. These include environment management, economic development, employee relations, civic amenities and community services, healthcare, sports and adventure, relief during natural calamities, education, arts and culture and social welfare.

Infosys Technologies Limited

Infosys is actively involved in various community development programs. Infosys promoted, in 1996, the Infosys Foundation as a not-for-profit trust to which it contributes up to 1%PAT every year. Additionally, the Education and Research Department (E&R) at Infosys also works with employee volunteers on community development projects. Infosys leadership has set examples in the area of corporate citizenship and has involved itself actively in key national bodies. They have taken initiatives to work in the areas of Research and Education, Community Service, Rural Reach Programme, Employment, Welfare activities undertaken by the Infosys Foundation, Healthcare for the poor, Education and Arts & Culture.

ITC Limited

ITC partnered the Indian farmer for close to a century. ITC is now engaged in elevating this partnership to a new paradigm by leveraging information technology through its trailblazing 'e Choupal' initiative. ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities: creating livelihoods by helping poor tribal make their wastelands productive; investing in rainwater harvesting to bring much needed irrigation to parched dry lands; empowering rural women by helping them evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC touches the lives of nearly 3 million villagers across India.

Mahindra & Mahindra

The K. C. Mahindra Education Trust was established in 1953 by late Mr. K. C. Mahindra with an objective to promote education. Its vision is to transform the lives of people in India through education, financial assistance and recognition to them, across age groups and across income strata. The K. C. Mahindra Education Trust undertakes number of education initiatives, which make a

difference to the lives of deserving students. The Trust has provided more than Rs. 7.5 Crore in the form of grants, scholarships and loans. It promotes education mainly by the way of scholarships. The Nanhi Kali project has over 3,300 children under it. We aim to increase the number of Nanhi Kalis (children) to 10,000 in the next 2 years, by reaching out to the underprivileged children especially in rural areas.

Tata Consultancy Services

The Adult Literacy Program (ALP) was conceived and set up by Dr. F C Kohli along with Prof. P N Murthy and Prof. Kesav Nori of Tata Consultancy Services in May 2000 to address the problem of illiteracy. ALP believes illiteracy is a major social concern affecting a third of the Indian population comprising old and young adults. To accelerate the rate of learning, it uses a TCS-designed Computer-Based Functional Literacy Method (CBFL), an innovative teaching strategy that uses multimedia software to teach adults to read within about 40 learning hours.

Conclusion

It has been figured out that Business houses are actively involved in social activities or responsibilities other than profit making. The companies are rendering their hand for aid in different areas for the upliftment of society and sustainable development. Environment telecom, health and education are prime areas wherein the companies are displaying their concern. Along with taking action to minimize the harms caused by them to the environment, the companies are also preparing the society people covering all age groups to generate employment. CSR holds a very important place in the development scenario of the world today and can pose as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The shrinking role of government in implementing the CSR is properly needed, demands for greater disclosure to

stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations. To conclude it would be fit to quote Axel Sahlin's speech given in England when prospectus for the projected iron and steel works was published by socially committed Tata's in 1907 which shows the power of social responsibility, it reads, 'From early morning till late at night, the Tata offices in Bombay were besieged by an eager crowd of native investors. Old and young, rich and poor, men and women they came, and at the end of three weeks, the entire capital required for construction requirement ... was secured, every penny contributed by some 8,000 native Indians.

Recommendations

- CSR emphasizes the responsibility of corporations to return some of their wealth and success to the communities that support them. Poverty afflicts many of the developing countries where multinational corporations employ people in their factories.
- The theory of CSR argues that the companies themselves will benefit from these activities by helping to create stable and flourishing communities that benefit everyone.
- CSR recommends that companies fairly remunerate employees for the efforts that they put into the success of company. Equitable packages for employees include fair pay, benefits, paid vacations and pension plans. Just as importantly, workplace should be healthy and safe places that don't subject workers to unregulated toxin or dangerous condition.
- Corporations have a responsibility to provide their customers with well made, reasonably priced product that performed as advertised.
- Industrialization results into severe environmental threats because of the waste generated by the industrial functioning. To resolve these environmental threats, the corporate houses should follow the 'Greening of Management' approach. The recycling of water and other wastes would nullify the damages that are likely to be caused to the environment and then to nearby residents. The waste water may be recycled to be used to water saplings around, for development of greener surroundings.
- The formulation of holistic development models would also be a major source of societal change. In addition, larger systematic programmes still need to be incorporated on the part of corporate houses in order to bring about prominent change around.

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