

The Role of Corporate Social Responsibility in India

*Dr. Megha Bhatt

JG College of Commerce, Asia Campus, Driven-in Road, Ahmedabad (India)

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*Corresponding Author

Email: megha.bhatt2871@gmail.com

ABSTRACT

Corporate social responsibility represents not just successful enterprise but also thinks on social and environmental aspects. It is a form of corporate self-regulation integrated into a business model. CSR positively affects the whole society and regulates its impact on environment. It is also called as corporate conscience, Citizenship and Social performance. It is a way of managing company and making relationship with partners with contributes to improving reputation and creditability of a business. CSR policy functions as a self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms.

This paper is an attempt to review CSR as social, economic and environmental aspects. It also elaborates pros and cons of CSR, importance, economic contribution and its performance in India.

1. Introduction

Corporate social responsibility is a concept of business that contributes sustainable development by delivering economic, social and environmental benefits for all stakeholders. It is a very broad concept which includes many other aspects such as corporate governs health and safety, human rights, environmental effects, working condition and contribution to economic development.

It is also known as corporate conscience, corporate citizenship or responsible business. Corporate Social Responsibility strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities and others. Increasingly more companies have begun to incorporate CSR in their strategic planning and objectives. Many large companies have adopted formal environmental policies with the objectives of creating a sustainable business and being environmental friendly.

2. Objectives

Following are the main objectives of the research work.

- To know the concept of Corporate Social Responsibility as a whole.
- To study the importance of Corporate Social Responsibility.
- To study economic contribution of CSR.
- To review the performance of CSR in India.

3. Methodology of Corporate Social Responsibility

Corporate Social Responsibility is the procedure of assessing an organization impact on society and evaluating their responsibility. It begins with an assessment of the following aspects of each business.

Customers Suppliers Environment Communities Employees

It is a sustainable-involving activity that an organization can uphold without negatively affecting the business goals. A number of companies engaged in CSR activities in rising economy enthusiastically. Organizations in India have been quite sensible in taking up CSR initiatives and integrating them in their business process. Companies now have specific departments and teams that develop specific policies, strategies and goals for their CSR programs and set separate budgets to support them.

4. What is Corporate Social Responsibility?

The concept of Corporate Social Responsibility was established in the 1950s. The European Union supports CSR activities in the Europe. The European Union uses CSR a tool for achieving tenable and acceptable growth. It became popular in 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibilities more narrowly construed.

The European Commission defines it as a concept whereby companies integrate social and environment concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (2006).

U.K defines CSR as how business takes accounts of its economic, social and environmental impacts in the way it operates- maximizing the benefits and the downsides.

Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment both (ecological and social) in which it operates.

Apart from these all definitions CSR may be viewed as an effort to integrate economic considerations with environmental and social needs as well as corporate efforts to balance the interest of diverse stakeholders.

5. Why Corporate Social Responsibility is important?

1. **To improve public images:** Positive social responsibility improves a company's public image and relationships with consumers through monetary donations, volunteerism services and strong partnership.
2. **To increase media coverage:** A strong CSR program can increase the chances that company gets news coverage.
3. **Boost employee's engagement:** CSR helps attract and engaged productive employees through corporate giving programs like gifts and Investors voluntary grants etc.
4. **Attract and Retain Investors:** When companies donate money to nonprofit organizations and encourage their employees to volunteer their time, they demonstrate to investors that they don't just care about profits instead they show that they have an interest in the local and global communities.
5. **Positive workplace environment and Increase in creativity:** Employees feel engaged and productive at work place through companies' philanthropic behavior. Employees become more creative as well.
6. **Professional and Personal growth:** Employees are able to professionally and personally develop because of CSR.

6. Corporate Social Responsibility in India

"People, planet, and profit" also known as triple bottom line to evaluate CSR. People refer to fair labor practices, the community and region where the business operates. Planet refers to sustainable environmental practices. Profit is the economic value created by the organization after deducting the cost of inputs including the cost of capital. In this context it can be said that corporate social responsibility is not new concept in India. It has a strong influence on business, government and society. Kumar et al. (2001) suggests that four models of CSR can be identified in India.

CSR Models in India:

1. The Gandhian Model: Voluntary commitment to public welfare based on ethical awareness of broad social needs.
2. The Nehru Model: State driven policies including state ownership, extensive corporate regulation and administration.
3. Milton Friedman Model: Corporate responsibility primarily focused on owner objectives.
4. Freeman Model: Stakeholders' responsiveness which recognizes direct and indirect stakeholder interest.

According to a survey done by IIM Bangalore more than 70% participants says that CSR is not only a responsibility of government but is a corporate one also and only 17% believe that it is a government's responsibility not corporation. It indicates that CSR is integrated process which must be performed by government and corporates. It suggests some

rules and regulation are required for accountability and transparency. This suggest significant variation from the view of Friedman's view "Business being in business for Business".

Legal framework:

The first formal attempt by the government of India was to give importance CSR issue and it was done by the Ministry of Corporate Affairs (MCA 2009). The policy focused on some points such as care for all stakeholder, ethical functioning, respect of workers' rights and welfare, respect for human rights, respect for the environment activities to promote social and inclusive development. The guideline of 2009 was followed in 2011 by the National Voluntary guidelines of social, environmental and economic responsibilities of business that issued by MCA as well. With the enactment of section 135 of the company act, 2013, as observed by the Ministry of Corporate Affairs in the report of the standing committee on finance (LSS, 2010), India became the first country to include provisions of CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-specified criteria. The distinguishing feature of section 135 is that it not only makes the reporting of CSR activities mandatory but goes a step further to mandate CSR activities in the first place. The rules mentioned in Companies Act 2013, came into force from 1 April 2014.

SEBI as per its notification on August 13, 2012 has mentioned that adoption of responsible business practice in the interest of the social set up and environment are as vital as their financial as part of the annual reports of the top 100 listed companies based on market capitalization at BSE and NSE. In 2016, SEBI extended this requirement to the top 500 listed companies.

India's Top Companies for sustainability and CSR 2016:

This analysis has been undertaken jointly by IIM Udaipur, Futurescape and Economic Times. It is unbiased, quantitative and analytical examination of Indian sustainability reports, annual reports and business responsibility reports. It covers industry, as varied as automobile, banks, FMCG, infrastructure, information technology, metals and mining, oil, steel, pharmaceuticals, telecommunication and others. It focuses on four main criteria such as Governance, disclosures, sustainability, and stakeholders assigned weights of 20%, 15%, 35% and 30% respectively from the basis of the ranking. The top 10 companies out of 100 are listed here.

Tata Steel Ltd.-1, Tata Power Company-2, Ultra Tech Cement Ltd.-3, Mahindra and Mahindra Ltd.-4, Tata Motors Ltd.-5, Tata Chemicals Ltd.-6, ITC Ltd.-7, Shree Cements Ltd.-8, Bharat Petroleum Corporation Ltd.-9 Larsen & Toubro Ltd.-10.

Examples:

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. India has been named among the top four Asian countries paying increasing importance towards CSR disclosure norms. India got 4th place in the list, according to social enterprise CSR ASIA's Asian Sustainability Ranking

(ASR), released in October 2009. It can be said that Indian companies are now performed their stakeholder responsibilities and societal obligation along with their shareholder profit maximization goal. Many leading companies in India are taking interest in CSR Programs and involved areas like health, education, community services, skill development and empowerment of weaker section of society. It is found that many companies have done efforts for such activities. Some examples are given below.

Tata Group: Tata Group in India has a range of CSR projects such as maternal and child health services, family planning programs which are community improvement programs mostly. It supports education, art and culture programs as well. According to Nielsen survey in May 2009 two Tata Group of firms –Tata Motors and Tata Steel are admired companies for CSR initiatives.

Aptech: It has associated to leading NGOs, education to the deprived, training and awareness, providing computers in school etc.

Infosys: It has taken initiatives to work in the area of research and education, community services, employment, healthcare to the poor, arts and culture, welfare activities etc.

Mahindra& Mahindra: The K.C. Mahindra Education Trust was established in 1953 with the purpose of promoting education. It has vision to improve the life of people of India through education and financial assistance across age groups.

Besides the private sector the government is also ensuring that the public sector companies participate in CSR activities. The Department of Public Enterprises (DPE) had prepared guidelines for Central Public Sector Enterprises to take up important CSR project to fund by 2.5 per cent of the company's net profit.

State own company Coal India (CIL) has invested US\$ 67.5 million in 2010-11 on social and environmental issues.

Public sector aluminum company NALCO has contributed US\$ 3.23 million for development work in Orissa's koraput district as part of its social responsibility.

7. Advantages and Disadvantages of CSR:

Advantages:

- Company increases goodwill and image in the market.
- It increases attraction and reputation of employees.
- Employees' efficiency increases.
- Capital inflow increases from various sources and more investors are attracted.
- Company gets more other benefits other than profits.
- A good CSR program gives good publicity and act as an advertisement for the company.
- It encourages personal and professional growth of employees.
- Company's public image and relationship with consumers improves.

Disadvantages:

- CSR programs disclose company's shortcomings also that create inconvenience to the consumers and lose trust in manufacturers.
- Customers' conviction becomes difficult.
- Expenditure of company increases.
- Company spends fund on various welfare activities instead of focusing on profit that is also necessary for a firm.

8. CONCLUSION:

Corporate Social Responsibility is not a new concept in India. Ever since their inception corporates like Tata Group, Mahindra and Mahindra, Infosys and many other leading companies have been involved in serving the community. Many companies increasingly join hands with NGOs and use their expertise in devising programs for social problems. The basic objective of CSR in these days is to maximize the company's overall impact on society and stakeholders. CSR in India is predominantly focused on socio-economic issues like poverty alleviation, health care provision, promoting education and infrastructure development.

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