

CORPORATE SOCIAL RESPONSIBILITY - AN INDIAN PERSPECTIVE

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ABSTRACT

In India, in the pre independence era, the businesses which pioneered industrialization along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were irregular activities of charity or philanthropy that was taken out of personal savings which neither belonged to the shareholders nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s although it was hardly ever shortened. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it.

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice.

INTRODUCTION

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach") is "triple-E"(Economic, Ethical, and Environmental) while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

India has the world's richest tradition of CSR. Though the term CSR is comparatively new the concept itself dates back to over a hundred years. CSR in India has evolved through different phases like community engagement, socially responsible employee relations. Its history and evolution can be divided into four major phases. CSR has been informally practiced in ancient times in form of charity to the poor and disadvantaged. Indian scriptures have at several places mentioned the importance of sharing one's earning with the deprived section of society. We have a deep rooted culture of sharing and caring.

Phase 1: (1850 -1914)

The first phase of CSR was driven by noble deeds of philanthropists and charity. It was influenced by family values, traditions, culture and religion along with industrialization. Till 1850, the wealthy businessmen shared their riches with the society by either setting up temples or religious institutions. In times of famines, they opened their granaries for the poor and hungry. In 1900s, the industrialist families like Tata's, Birla's, Modis, Godrej, Bajaj's and Singhanias promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. It may also be interesting to note that their efforts for social benefit were also driven by political motives.

Phase 2: (1910 -1960)

The second phase was the period of independence struggle when the industrialists were pressurized to show their dedication towards the benefit of the society. Mahatma Gandhi urged to the powerful industrialists to share their wealth for the benefit of underprivileged section of the society. He gave the concept of trusteeship. This concept of trusteeship helped in the socio-economic growth of India. Gandhi regarded the Indian companies and industries as "Temples of Modern India". He influenced the industrialists and business houses to build trusts for colleges, research and training institutes. These trusts also worked to enhance social reforms like rural development, women empowerment and education.

Phase 3: (1950 -1990)

In the third phase, CSR was influenced by the emergence of Public sector undertakings to ensure proper distribution of wealth. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This led to enactment of legislation regarding corporate governance, labor and environmental issues. Still the PSUs were not very successful. Therefore there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth. In 1965, the academicians, politicians and businessmen set up a national workshop on CSR, where great stress was laid on social accountability and transparency.

Phase 4: (1980 onwards)

In the fourth phase from 1980 onwards, Indian companies integrated CSR into a sustainable business strategy. With globalization and economic liberalization in 1990s, and partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

Phase 5:

The fifth phase include period of post liberalization and corporate citizen. The benefits of science and power lead to stress and strain. Such social problems cannot be solved by governmental action alone. The UN Human Development Report of 2003 noted that India's expenditure on basic education, primary health care, child nutrition etc is very low and it will have to find other avenues for additional resources for the purpose. One such avenue is Corporate Sector.

Though corporate social efforts can never substitute the role of the state, its value lies in providing plurality of funding and its quality of support- innovative, flexible and direct consequence.

Table 1 shows the details of various phases of evolution of the concept of CSR.

Table 1

Phases of Evolution

PHASES	PERIOD	YEAR	NATURE OF CSR
First	Pre-industrialization	1800	CSR activities were under taken in the form of philanthropy with religious belief.
Second	pre-industrialization	1800 - 1914	CSR activities were undertaken in the form of donation with social welfare objectives.
Third	Industrialization	1950 – 1980	CSR activities were undertaken in the form of responsible behavior with progressive approach.
Fourth	Post industrialization	1980 – until today	CSR activities are being performed in various forms by keeping in view multistakeholders benefit.

Source: global journal of commerce and management perspective, vol. 2(2) 2013:58-62 issn 2319 – 7285.

In India, in the pre independence era, the businesses which pioneered industrialization along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were irregular activities of charity or philanthropy that was taken out of personal savings which neither belonged to the shareholders nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s although it was hardly ever shortened. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it.

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship.

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects.

Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to

community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR report¹.

CSR INITIATIVES OF INDIAN COMPANIES

In India several companies have started realizing that it is a rational move to take up CSR activities and integrate it with their business process. Companies conduct events like health camps, population control measures, support a few sick persons, give some scholarships, organize a few SHGs, a few sports events, impart trainings for some livelihood practices without linking them to further growth in the process of conducting CSR. Some corporate found to work on disability, some on elderly issues, some work on street children. All these are either time bound projects or institution run activities or supports to some NGOs. They also meet the deficiencies of Government run schemes or programs with an aim to enhance the quality of the program me.

There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice. The latest trends in CSR practices as highlighted in study of 500 companies which shows that out of top 500 companies, 229 did not report on CSR activities. 49% of remaining 271 companies were reporting CSR. Many companies are making token gesture towards CSR. After studying the CSR focus and business linkage of 30 companies as given in the below table it is amply clear that every company defines CSR in their own ways as per their needs.

Table 2.2

CSR Initiatives of Indian Companies

COMPANY	TYPE	FOCUS	BUSINESS LINKAGE	METHODOLOGY ADOPTED	IMPACT
BAJAJ AUTO	AUTO	Development of weaker section of society	Indirect	Trust undertaken long-term projects in rural areas	Community development
CASTROL INDIA	CHEMICALS	Strengthens link between business social investment	Indirect	Rehabilitation of earthquake affected victims In Gujarat Castrol drive for safety initiative	Community services

¹ Swati Sharma, “Emerging Trends in CSR in India- A Descriptive Study”, Volume.2, No.2, 2013, pp 58-62.

MAHINDRA	AUTOMOBILE	Sharing wealth and promote primary education	Indirect	College establishment nanhi kali (underprivileged girl child) 1% profit after tax for csr activities free education for girls lifeline express: medical facility free surgeries	Community development
INFOSYS	IT	Support and encourage under privileged sections	Indirect	Infosys foundation provide medical facilities to remote rural areas, organizing novel pension scheme and aiding orphans and street children and rural education program titled "A library for every school" human capital education index for its employees	Successfully implemented project
ITC	FMCG	"Citizen first" watershed development program; empowering farmers; greening wastelands and irrigating dry lands	Indirect	Through "e-choupal" organization farmers into waters users groups that plan and build water-harvesting structures primary education livestock development social forestry integrated watershed development first to be certified SA8000 standard	Supplier and community development

L & T	ENGG.	Enhancing shareholder value and responsibility for welfare of society at large	Indirect	Eco friendly approach; create awareness on HIV/AIDS; and waste minimization, health one of the first corporate to launch HIV/AIDS program	Community service environment protection
DABUR INDIA	PHARMA FMCG	Give back some part of what dabur has gained from community	indirect	Establishment of sundesh, NGO programs for ecological regeneration & protection of endangered plant species promoting health and hygienic amongst the underprivileged through trust and create environmental awareness amongst young minds	RM supplier development
BHEL	ENGG.	Community and product development	Direct	Adopted 56 villages and provided infrastructure for schools for physically challenged children near its units launched wind electric generators, solar heating system, solar photovoltaic system, solar lanterns and battery powered road vehicles	Benefited over 80,000 people. Minimize environmental impact of fossil energy Product.

TATA STEEL	ENGG./METAL	Improve the quality of life of the communities it serves.	Indirect	Through “GREEN MILLENNIUM” campaign planted 1.5 million surviving trees through employment generation building people, education, health and hygiene	Settling sustainability standard
WIPRO	IT	Learning enhancement disaster rehabilitation	Indirect	Through trust: provide rehabilitation to survivors of natural calamities and enhancing learning abilities of children from underprivileged sections	Community service
NESTLE INDIA	FMCG	Integrated communities where it runs industrial and commercial operations	Indirect	Through water conservation natural refrigerants replaced ozone depleting also include nutrition & health projects, agriculture assistance, education and training, arts and culture, HIV/AIDS prevention and donation.	Environment protection community services

Source: Rich Gautam and Anju Singh “CSR Practices in India: A study of Top 500 companies” *Global Business and Management Research: An International Journal*, Vol.2, No.1, 2010, P.51.

AREAS OF CORPORATE SOCIAL RESPONSIBILITY

Employee Health and Wellness

Organizations have to be socially responsible to their employees. The employees are an organization's greatest assets. Since the longevity of employees is influenced by the lifestyle choices that they make, organizations need to offer tools and incentives that encourage employees to adopt or maintain healthy lifestyles. There is also the need to offer a variety of benefits aimed at protecting employees' physical and emotional health²

Environmental Integrity

Corporate social responsibility also covers commitment for protecting and even improving the environment for the benefit of current and future generations. Environmental protection and preservation makes sound business sense. It not only enriches the lives of our employees, our clients and their loved ones, it can also reduce our expenses and improve our bottom line. Through actions such as, but not limited to, using energy-efficient properties, reducing our reliance on paper and investing in alternative energy and clean air technology. Environmental responsibility covers precautionary approaches to prevent or minimize adverse impact support for initiatives, promoting greater environmental responsibility, developing and diffusing environmentally friendly technologies and similar areas.

Ethical Responsibilities

Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it is the right thing to do; not because they have an obligation to do so. Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries, for example Ethical CSR entails incorporating responsible practices that minimize the societal harms of business operations. There are many ways for organizations to implement ethical business practices; these include minimizing environmental pollution from manufacturing facilities and providing healthcare benefits to employees.

Legal Responsibilities

A company's legal responsibilities are the requirements that are placed on it by the law. Next to ensuring that organization is profitable, ensuring that it obeys all laws is the most important responsibility, according to the theory of corporate social responsibility. Legal responsibilities can range from securities regulations to labour law, environmental law and even criminal law.

Philanthropic Responsibilities

Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society; for example, by donating services to host communities, engaging in projects to aid the environment or donating money to charitable causes Philanthropic corporate social responsibility involves giving funds, goods or services, sometimes serving as advertising. For example, the local branch of a bank might donate money to fund uniforms for a school sports team or a health care

²⁸ Smitha Chawak , “Corporate Social Responsibility : Trends and Challenges”, Abhinav International Monthly Refereed Journal of Research in Management & Technology, Volume.3, No. 4, April 2014, ISSN-2320-0073, pp 32-39.

company might donate to the city opera. Philanthropic CSR describes a company's support for a cause or activity that occurs outside of their business operations, but provides benefit to society. Companies will usually choose a cause or organization on which to focus their contributions, which can include donation of equipment or technology, employee time (volunteerism), or money. Under the umbrella of philanthropic CSR, there are distinguishing elements that drive motivation for a company's involvement and actions. Altruistic motives are woven into the corporation's character as part of its intrinsic institutional values and environment.

Economic Responsibilities

An organization's first responsibility is its economic responsibility; that is to say, an organization needs to be primarily concerned with turning a profit. This is for the simple fact that if a company does not make money, it will not last, employees will lose jobs and the company will not even be able to think about taking care of its social responsibilities. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable. This implies that economic responsibility covers areas like 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 labour and similar areas.

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY

CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive Investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability. There are various factors of society which are affected by the CSR.

Impact of Corporate Social Responsibility on Employees.

CSR has a major effect on employee's behaviors and working attitude. CSR could develop employees' attitudes, job satisfaction and behaviors, contribute to corporations' success. Therefore, corporations should attach importance to CSR practice so as to benefit employees. In addition, four dimensions of CSR, namely economic, legal, ethical, and discretionary responsibilities deserve equal attention³

Impact of Corporate Social Responsibility on Stakeholders

Stakeholders are taking an increasing interest in the activity of the company are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance. Stakeholders are the individuals or groups that have an interest in the organization and are affected by its actions. Stakeholders have a vested interest in how the organization performs and the actions it engages in to conduct business.

Impact of Corporate Social Responsibility on company's Financial Performance

Socially responsible companies have a good brand image and a positive reputation among consumers. They also have the ability to attract more skilled employees and business partners. Companies that adopt the CSR principles are more transparent and have less risk of bribery and corruption. The CSR activities are treated as an investment not as a cost or expense. CSR has positive impact with each variable of organization's financial performance.

Impact of Corporate Social Responsibility on Consumer Trust

CSR actions have potentially positive influence on customer's trust. A company can gain

³ Deepika Maheshwari, "Necessity of corporate social responsibility for society", "ASM's International E-Journal on Ongoing Research in Management and IT", 2015, ISSN-2320-0065, pp 161-164

benefits from CSR activities through customer loyalty, customer trust, positive brand attitude, increased profits, and by preventing negative publicity. Concept of CSR in condominium development in order to measure the relationship between CSR, consumer trust, and purchase intention. Perspective of consumers based on their emotional, rational, and individual judgments towards their willingness to purchase a condominium in the context of the concept CSR.

Impact of Corporate Social Responsibility on Economic Development

A variety of factors influence the economic actors who make decisions about engaging in CSR activities. These factors include managerial incentive and monitoring constraints, and organizational structure and culture.

PRESENT PERSPECTIVE FOR CORPORATE SOCIAL RESPONSIBILITY IN INDIA

The Companies Act, 2013 Clause 135

Corporate Social Responsibility is not a new concept in India, however, the Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory for certain companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility. As mentioned by United Nations Industrial Development Organization (UNIDO), CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Moreover, while proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth."

Conclusion

Business houses all over the world are increasing in realizing their stake in the society and engaging in various social and environmental activities. CSR holds a very important place in the

development scenario of the world today. A successfully implemented CSR strategy calls for aligning these initiatives with business objective and corporate responsibility across the business principle to make CSR shaper, smarter, and focused on what really matters.

There are several companies in India involved in diverse issues such as health care, education, rural development, sanitation, micro credit, and women empowerment. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of equitable social development.

A long term perspective by organization, which encompasses their commitment to both internal and external stakeholders, will be critical to success of CSR and the ability of companies to deliver on the goals of their CSR strategy. Wealth has to be created before it can be distributed. The responsibility to create wealth is of business. And responsibility and rights must go together. Hence, the society cannot disarm business of its rights which are essential for creating value.

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