Corporate Social Responsibility in india – A way to Socio Economic Development

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ABSTRACT *Corporate Social Responsibility refers to the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action, which are desirable in terms of the objectives and values of our society. Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still ubiquitous and the government has limited resources to tackle these challenges. This scenario has opened up several areas for businesses to contribute towards social development. 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 corporates, NGOs and the government will place India's social development towards a tremendous growth.*

Introduction

The corporate status of a business venture has led to the evolution of innovative culture in the field of economic development the world over. The various types of business talents and the bulk finance required for the marked growth of commerce and industry that we observe now would not have been possible without the process of innovation conceived and practiced through the corporate sector. The corporate sector has a great social responsibility and thus every corporate enterprise should strive to do something to the society in general.

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

The expectations of various stakeholders from their company can be outlined as follows:

- Shareholders expect fair and regular dividend along with increase in the market capitalization of their investments.
- Employees expect fair wages along with proper and safe working conditions and job-security.
- Customers expect quality goods or services at fair prices and on fair terms along with prompt delivery and satisfactory after-sale services.
- Government expect a company to be a law-abiding citizen who is paying its taxes fully and honestly without corrupting public servants.
- Creditors expect a company to make timely payments of interest and pay off the principal as per the contract.
- Competitors expect that a company shall not engage itself in to unfair or unrestricted trade practices so as to oust them from the market.
- Community expect it to be engaged in a number of social welfare programs like development of township, upliftment of rural and backward areas, provision of clean drinking water, education for all,etc.

Genesis of Corporate Social Responsibility

Corporate Social Responsibility as an expression was used perhaps for the first time in 1953 when Bowen raised the question "What responsibility to Society can business people be reasonably expected to assure".

The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers.

Objective

The objective of this paper is to examine the nature and extent of corporate social responsibility (CSR) initiatives under taken by Indian companies and to study its contributions towards social development.

Need for Corporate Social Responsibility

In India companies are incorporated and allowed to function under the provisions of the Companies Act, 1956 which explicitly recognizes a basic morality and social responsibility of companies towards the society in which they operate. Companies in our country have by and large played and are playing an important role in our industrial and economic development. Company is a juristic entity and a corporate citizen bearing a social responsibility towards the society in general. However, the past record of our corporate sector has not been much encouraging. Now it is time to correct the position and in the present socio-economic context, the corporate sector is expected to make definitive contributions for welfare of the society.

Another reason fuelling this rapid adoption of CSR is the state of the Indian society. Though India is one of the fastest growing economies, socio-economic problems like poverty, illiteracy, lack of healthcare etc. are still ubiquitous and the government has limited resources to tackle these challenges. This scenario has opened up several areas for businesses to contribute towards social development.

CSR in India

Social service has always been an inherent part of Indian culture and tradition. There are several selfless workers who are working tirelessly and making a considerable impact to many livelihoods. Over one million Non Government Organisations (NGOs) operate in India and address a variety of social con-

cerns such as water harvesting, micro credit, environmental concerns, education, sanitation and other such fundamental issues that have made the NGOs an indispensable element in the social change process.

Corporate Social Responsibility (CSR) defined as "the ethical behavior of a company towards the society," manifests itself in the form of such noble programs initiated by for-profit organizations. CSR has become increasingly prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large. This is one of the key drivers of CSR programs.

One of the recommendations of the Voluntary Guidelines for Companies issued by Ministry of Corporate Affairs is to create a separate fund for their Corporate Social Responsibility (CSR) activities in the interests of greater transparency. The Ministry has suggested that a specific amount should be set aside in the annual budget that is linked to profit after tax. This would clearly demonstrate a Company's CSR commitment and allow shareholders to compare programmes.

According to Section 135, of this Bill: "Every company with a net worth of Rs. 500 crore or more, or turnover of Rs. 1,000 crore or more, or net profit of Rs. 5 crore or more in a financial year will have to form a CSR committee, consisting of three or more directors, of which at least one would be an independent director. This committee will have to ensure that the company spends, in every financial year, at least two per cent of the average net profits made during the three immediately preceding years, towards CSR activities. The bill also makes it compulsory for the company to specify reasons if it fails to spend the amount.

In India, only a few large corporations are fulfilling their social responsibilities effectively like Tatas, Birlas, Dalmias, Reliance, Infosys, Wipro etc. Many other organizations have been doing their part for the society through donations and charity events. Corporate citizens like Infosys have been sponsoring midday meals for school children so as to transform the younger generation in to a literate and highly productive human resources. A large number of villages have been adopted by Ambanis in Gujarat which was struck by tremor in 2001. Community work is being carried out by "The Aditya Birla Centre for Community Initiatives and Rural Development". It has straddles 3500 villages across the country.

More recently some corporates have adopted villages in south affected by the disastrous tsunami. Their activities includes self reliance through the engine of sustainable livelihood, providing employment schemes for rural youths, making safe drinking water and health care easily accessible and reaching out to the physically impaired etc. Public demand for greater CSR has increased. A better educated, more aware and critical public has begin to question the value of ever increasing production which results in pollution and environmental decay.

The growing global need has made corporate face challenges to accept and adopt the concept of social responsibility for a better tomorrow. It is high time that the corporate sector should come forward to shoulder its social responsibilities especially in the following fields;

• Judicious use of limited natural resources.
• Controlling pollution by installing pollution control devices.
• Developing their own towns with all infrastructural facilities for their workers.
• Improving community health and hygiene.
• Providing safe and clean drinking water, food, education, medical facility in remote rural and backward areas.
• To help senior citizens, disabled/handicapped people, mi-

norities and weaker sections of the society.

CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them.

These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

For instance, organizations like Bharath Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, adopt villages where they focus on holistic development. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills.

Reliance Industries Ltd. launched a countrywide initiative known as "Project Drishti", to restore the eye-sights of visually challenged Indians from the economically weaker sections of the society. This project, started by one of India's corporate giants has brightened up the lives of over 5000 people so far.

Indian Oil has a concerted social responsibility programme to partner communities in health, family welfare, education, environment protection, providing potable water, sanitation, and empowerment of women and other marginalised groups. On the other hand Glaxo SmithKline Pharmaceuticals CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.

Many CSR initiatives are executed by corporates in partnership with Non-governmental organizations (NGOs) who are well versed in working with the local communities and are experts in tackling specific social problems. For example, SAP India in partnership with Hope Foundation, an NGO that works for the betterment of the poor and the needy throughout India, has been working on short and long-term rebuilding initiatives for the tsunami victims. Together, they also started The SAP Labs Center of HOPE in Bangalore, a home for street children, where they provide food, clothing, shelter, medical care and education.

Conclusion
Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The corporate sector may do well to realise that the desired success in its business venture depends on the well being of the society under which it operates and the adequate discharge of its responsibility to the society is for mutual benefit. CSR has come a long way in India. From responsive activities to sustainable initiatives, corporates 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. Corporates have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporates, NGOs and the government will place India's social development towards tremendous growth.

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