



Analysis of Emerging Trends in Corporate Social Responsibility After Enactment Company Act 2013

KEYWORDS

Haider Ali

Faculty Member College of Law and Legal Studies, Teerthanker Mahaveer University, Moradabad (U.P)

1. Concept of CSR

The concept of Corporate Social Responsibility emerged in early years of 20th century in European countries. Earlier responsibility purely based on charity concept and fashion only. There was no element of responsibility in their social initiatives. There was no mandatory in companies' financial plan. In a year various occasions' only companies used to take up the social initiatives on nominal basis. After the change of face in countries financial situations all companies sensitized about the corporate social responsibility. Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. It is noteworthy that he pioneered the stakeholder theory with a framework which identified key stakeholders for business, and thus for CSR. One of the notable contributions to the development of CSR at that time was made by the Committee for Economic Development (CED) of the United States, which defined CSR, in 1971, as a business function to serve constructively the needs of society. It was claimed that corporate managers' primary responsibility was to maximize values for shareholders instead of incorporating CSR in their daily activities.

Since entering into the twenty-first century, more focus has been given to implementation of CSR initiatives and empirical study of CSR impacts. It was reduced in four categories of corporate responsibilities (i.e. economic, legal, ethical and philanthropic) to three-domain approach, namely economic, legal and ethical. The International Labour Organization (ILO) (2007) redefined CSR as a way that enterprises consider the impact of their operations on society and CSR principles are integrated in enterprises' internal processes and interactions with stakeholders on a voluntary basis. More recently, the European Commission simplified the CSR definition as the responsibility of enterprises for their impacts on society, which indicates that enterprises should have a process in place to integrate CSR agenda into their operations and core strategies in close corporation with stakeholders. The World Business Council for Sustainable Development also emphasized a balance of return on financial, natural and social capitals, particularly suggesting the integration of CSR reporting into annual report.

2. Concept of CSR in India

CSR is not a new concept in India. Ever since their inception, corporate like the [Tata Group](#), the [Group](#), and [Indian Oil Corporation](#), to name a few have been involved in serving the community. Through donations and charity events. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are be-

ing comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

Also, corporate increasingly join hands with [non-governmental organizations](#) (NGOs) and use their expertise in devising programs which address wider social problems.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

Recently [Companies Act, 2013](#) has been implemented and it makes provision relating to CSR that, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

3. Meaning of CSR

Corporate Social Responsibility (CSR), can be described as, the continuous commitment by corporations towards the economic and social development of communities in which they operate. The Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. It is about how companies conduct their business in a way that is ethical. This means taking account of their impact socially, environmentally, economically and in terms of humanity.

In India several companies have started realizing that it is a sensible move to take up CSR activities and amalgamate it with their business process. Corporations are becoming increasingly aware of their role towards the society. They are responsible bodies that feel a sense of duty towards the common welfare and the environment. These programs are based on well-defined social beliefs or are carefully aligned

with the companies' business domain. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit

4. Need For CSR

The current trend of globalization has made the firms realize that in order to compete effectively in a competitive environment they need clearly defined business practices with a sound focus on the public interest in the markets. Firstly, the increase in competition among the multinational companies to gain first mover advantage in various developing countries by establishing goodwill relationships with both the state and the civil society is ample testimony to this transformation. Secondly, in most of the emerging markets, the state has a duty of protecting the interests of the general public and thus gives preference to companies which take care of the interests of all the stakeholders. Thirdly, emerging markets have been identified as a source of immense talent with the rising levels of education. For example, the expertise of India in churning out software professionals and China in manufacturing has now become internationally renowned. In order to draw from this vast talent pool coming up in developing countries, companies need to gain a foothold in these markets by establishing sound business practices addressing social and cultural concerns of the people. It is in stark contrast with the traditional private sector position of considering shareholders their only stakeholders.

5. Emerging Trends in CSR in India

5.1. Fundamental shift From Philanthropy to Compulsory Participation: Now No More Charity

Corporate social responsibility uptill the 1990's was purely in terms of philanthropy or charity. welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization but now new company law has made it compulsory for every corporate who fulfill the criteria to spend certain amount of profit on CSR activities . such as eradication of hunger, poverty and malnutrition, promotion of preventive health care and sanitation and making available safe drinking water and education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects, and gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water leads to low levels of accountability and transparency at the implementation level and like activities .

5.2. New Business Strategy to Reduce Investment Risks

Corporate social responsibility is basically a new business strategy to reduce investment risks maximize profits by taking all the key stakeholders into confidence and growing importance attached to the 'eco-social' stability i.e. social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run.

5.3. New Innovations in Implementation of CSR activities

After enactment of new company law that mandates expenditure of certain amount of profit on CSR activities the change has occurred in concept of the corporate social responsibility from charity or philanthropy to compulsory participation today there is public centric approach, practices at the ground level have also undergone a radical transformation. Now focus is on initiatives that are people-centric with active community participation at all levels. Further, the corporations themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a real difference in the target communities.

There is introduction of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management. The importance is being attached to accountability, transparency and social and environmental investment.

5.4. More Local Communities' Participation

Now CSR programs are more effective and efficient, the need for which is recognized by corporation who see multiple benefits like increased sales and customer loyalty, enhanced brand value and reputation, increased ability to attract and retain quality employees, investors & business partners, better productivity of workforce, cooperation with local communities, efficient operations resulting in improved financial performance, increased stock value, reduced litigation & environmental costs, better and faster governmental approvals, rewards, tax benefits that come from good CSR practices.

5.5. Equal Contribution Public Sector Enterprises and Private Corporations

There was a time when only public sector enterprises were legally accountable to spend certain amount of profit on CSR activities but now it is obligatory for every corporate to spend certain amount of profit on csr activities. Our focus has been on the public sector and its greater societal obligations. India, also, has a large public sector with several huge corporations. Public sector companies were operating in various sectors like petroleum, heavy industries, aviation, mining, steel, equipment manufacturing and shipping and they were involved in CSR activities.

The era of liberalization has led to the privatization of several public sector units and others being forced to make switch from being monopolies to being free market players with intense private competition and to fill the same gap need for compulsory CSR provision were felt in year 2013 same law was enacted

5.6. Collaboration with Specialized Agencies Involved In Social Activities

Corporate Social Responsibility concept is gradually emerging in India. This process has been rapidly occupying key position in corporate sectors in India. Many industries and corporate companies are opening their CSR units and positioned few staff. Now a day every company is doing some interventions either directly or indirectly. Many CSR units are collaborating with specialized agencies to do CSR activities perfectly for marginalized people. They are engaging separate professionals from development sector and NGOs to do some sort of social activity on behalf of respective company. Few companies have started in the name of the foundation to identify their company's name also. Many CSR activities are performing in collaboration

with local level action groups, Non – Governmental Organizations (NGOs) and few government departments.

5.7. Potential to Alleviate Poverty

CSR scheme has great potentials to alleviate to poverty because locality in which a corporate operates knows its geography and peoples very well and knows requirements of that peoples because requirements of each locality or region varies, according to the requirements of people a corporate can introduce specially designed schemes.

5.8. Growing Tendencies to Imitate of CSR Schemes

When govt. made compulsory legal provision of CSR, there is a growing tendency to imitate CSR schemes or plan without considering suitability of such scheme or plan only to comply with the law, whether it is suitable or not to a particular area or marginalized group, they are blindly copying each other's plan.

5.9. Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations

5.10. Increasing role Community in CSR Activities

There was a time when there was a lack of interest of the local Community in participating and contributing to CSR activities of companies. It was largely attributable to the fact that there existed little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR but now there is a awareness about CSR and local people are participating in CSR activities and there is a confidence in the local communities about such initiatives.

6. Conclusion

The new economic age in India is catalyst for the change in the corporate social responsibility related activities in the India, The change is two fold: change in the conceptual understanding of corporate social responsibility and innovations at the implementation level. At the conceptual level, there is a fundamental change from Philanthropy to Compulsory Participation where the target group is seen as stakeholder in the community whose well-being is integral to the long term success of the company

Corporate social responsibility offers a two-way street to companies, on the one hand stimulating innovative business and technological initiatives which would open up new avenues for company operations and focus on the prospect of touching new market zones.

On the other hand, it would give a cleaner societal reputation and socially responsible identity to companies, involving the companies and their employees in the long-term process of positive social transition. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies

The increased awareness of CSR has also come about as a result of the United Nations Millennium Development Goals, in which a major goal is the increased contribution of assistance from large organizations, especially Multi-National Corporations, to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. There is a lot of potential for CSR to help with development in poor countries, especially community-based initiatives.

REFERENCE

- Bhattacharyya and Rahman, Why large local conglomerates may not work in emerging markets, *European Business Review*, 15(2), pp.105 - 115 (2003). | Carroll, A Three - dimensional Conceptual Model of Corporate Performance, *Academy of Management Review*, 4(4), pp. 497 505 (1979) | Cochran and Wood, Corporate Social Responsibility and Financial Performance, *Academy of Management Journal*, 27, pp. 42 - 56 (1984) | DiMaggio and Powell, The Iron Cage Revisited Institutional Isomorphism and Collective Rationality in Organizational Fields, *American Sociological Review*, 48 (April), pp. 147 160 (1983) | Edenkamp , Insights into how consumers are thinking, how they are acting and why, *Brandweek* , 43 (36), pp. 16 - 20 | (2002) Friedman, The Social Responsibility of Business is to Increase its Profit, *The New York Times Magazine*, Sept 13, pp. 122 -126 (1970). | Jones, Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics, *Academy of Management Review* , | 20 (2), pp. 404 -437 | (1995) | McWilliams and Siegel, Corporate Social Responsibility: A Theory of the Firm Perspective, *Academy of Management Review*, 26, pp. 117 127 (2001). | Palazzo and Scherer, Corporate Legitimacy as Deliberation. A Communicative Framework, *Journal of Business Ethics*, 66 (1), pp.71 88 (2006) | Prahalad and Kenneth , The End of Corporate Imperialism , *Harvard Business Review*, July Aug, pp. 68 - 79 (1998) | Scherer and Palazzo, Toward a Political Conception of Corporate Responsibility. *Business and Society Seen from a Habermasian Perspective*, *Academy of Management Review*, 32, pp. 1096 – 120 | (2007). | Shrivastava, The Role of Corporations in Achieving Ecological Sustainability, *Academy of Management Review*, 20(4), pp. 936 - 960 (1995) |