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A KEY CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK: INDIAN CONTEX

KEY WORDS: Corporate social responsibility, CSR history, Sustainable development, Social responsibility, Corporate behavior, Models of CSR

Dr. Pankajkumar Vallabhkhai Chhatrola

Department Head Of Commerce, Shree U.P.E.T. Mahila B.Ed. College – Dhrol (Gujarat)

ABSTRACT

There is an extensive and speckled history associated with the different models and evolution of the concept of Corporate Social Responsibility (CSR). However, a historical review and understanding of different models is not there in the educational literature that represents the evolution of the academic understanding of the concept alongside with the public and international events that influenced the social outlook with regards to corporate performance. The main aspire of this paper is to provide a distinctive historical perspective, challenges and issues and models of CSR and provide sustainable growth of business and community.

(1) INTRODUCTION

One of the most vital discussed topics at the present time is the concept of Corporate Social Responsibility (CSR). It is also called as corporate ethics, citizenship, social performance, or sustainable responsible business. CSR can be found not only in the business sector, but also in fields like government, public sector, private sector, MNCs, NGOs, as well as in intergovernmental organizations such as the United Nations, the World Bank or the International Labor Organization. Business is an economic activity to earn profit for the owner and social responsibility means serving community without any expectation. In return for these special privileges, business has a responsibility to fulfill society probability at large. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law. CSR is a strategic planning tool which is implement by managers of those companies which want to be winning and sustain their position in front of their customers, because the winner is the one who can offer cheaper goods; best quality service; innovative products; attractive offers, maintain brand loyalty, which is not offered anywhere else; Corporate social responsibility is predominantly considered as a western phenomenon due to strong institutions, standards, and appeal systems which are weak in developing countries. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

(2) Corporate social responsibility in Indian context

Indian companies are now expected to discharge their stakeholder responsibilities and societal bligations, along with their shareholder-wealth maximization goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009.

According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu.

Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits.

The first formal attempt by the Government of India to put the CSR issue on the table was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Prior to this, the importance of CSR was discussed in the context of corporate governance reforms, such as in the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). While the report made a business case for CSR as well as highlighted the social benefits stemming from it, the discussion was recommendatory in nature and there were little actionable points. It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development.

Subsequent to the passage of the Act, the Ministry of Corporate Affairs notified the Rules with respect to CSR on February 27, 2014. Apart from listing out specific activities on which the companies are free to spend the amount earmarked under their CSR Policy. The Rules guard against self-serving expenditure by companies by specifying that CSR activities that benefit only the employees of the company and their families shall not be considered as CSR spending under the provisions. However, companies may build CSR capacities of their own employees through reputed institutions with the proviso that such expenditure cannot exceed five percent of the total CSR expenditure made by the company in that financial year. The Rules framed under Section 135 of the Act, came into force from April 1, 2014.

With the enactment of Section 135 of the Companies Act, 2013, as observed by the Ministry of Corporate Affairs in the Report on the Standing Committee on Finance (LSS, 2010), India

became the first country to include provisions on CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-specified criteria. In the rest of the world, however, CSR is still a voluntary exercise left to the discretion of the corporates. What is mandatory at most is the compulsory reporting of CSR activities undertaken by corporates in a growing number of countries, although this too is not the case across all countries. Thus, in countries such as Sweden, Norway, the Netherlands, Denmark, France, Australia and China, either government regulations or stock exchange regulations or both require corporates to disclose their CSR activities through sustainability reporting.¹ 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 2001 State of Corporate Responsibility in India Poll, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

Ethical Model (1930 – 1950):

One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

Statist Model (1950 – 1970s):

Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

Liberal Model (1970s – 1990s):

The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder Model (1990 – Present):

The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below:

Table 1
The four models of Corporate Responsibility

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K. Gandhi
Statist	State ownership and legal requirements determine Corporate responsibility	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners (Shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders-customers, employees, communities, etc	R. Edward Freeman

(Source: Arora & Puranik 2004)

(1) Current Status of CSR in India

CSR – the corporate belief that a company needs to be

responsible for its actions: socially, ethically, and environmentally. CSR has become the need of growing business. Businesses need to be practice their activities to earn a good image. Big corporates like Reliance Industries, Tata Group, Aditya Birla Group, The Coca Cola Company, and Indian Oil Corporation are involved in serving the community. These corporates are fulfilling their responsibilities towards the society. Many other organizations have been doing their part for the society through donations and charity events. Today, 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 company's 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.

(2) Objective of the study.

- To know the corporate social responsibility status in India.
- To recognized the meaning and various models of CSR.
- To study the challenges faced by CSR in India.

(3) Review of literature

1. **Agarwal Anshul (2014)** In this paper Researcher has concluded that how CSR persuade the image of the country of origin and the corporate reputation of the firms that reside there in respect of Indian firms. Also in this study conclude that research aims to address to maintain the social & financial responsibility of the Indian firms through focusing on the spectrum of CSR framework on developing nations, particularly the emerging market of India.
2. **Prathima D.S. (2015)** This study to examine GRI reports and publicly disclosed information online and via annual reports under the CSR lens. We believe that it is not sufficient for companies to merely invest in CSR projects and meet the 2 per cent norm, but we need to understand whether CSR is looked at strategically.
3. **Sarkar Jayati and Sarkar Subrata(2015)**. In this study researcher has analyses the potential implications of mandated CSR under the Companies Act, 2013 in India on firm incentives, likely responses of corporates that come under the ambit of the law, implications for resource availability and delivery of social goods, and the prospects and challenges of implementing mandated CSR. The study also examining the voluntary CSR behavior of a sample of 500 large companies listed on the Bombay Stock Exchange.
4. **McWilliams (2002)** states that, CSR strategies, when backed by political framework & strategies can be used to develop strong firm with long-term competitive benefits.
5. **Baron (2001)** the use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.

(4) CSR: Challenges and issue:

Several companies believed that the corporate social responsibility is a nonessential issue for their business entity and customer satisfaction more important for them. They also believed that the customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. Some of the Key issues or drivers approaching business towards CSR include following:

• **The Shrinking Role of Government**

In the past, governments have relied on legislation and

regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

• **Demands for Greater Disclosure**

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

• **Increased Customer Interest**

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

• **Growing Investor Pressure**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

• **Competitive Labour Markets**

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

• **Supplier Relations**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Challenges:

- **Lack of Community contribution in CSR Activities:** There is a lack of interest of the local Community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.
- **Call for to Build Local Capacities:** There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.
- **Issues of Transparency:** Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively

7) CONCLUSION

CSR model and policy would purpose as an incorporated, self-governing device whereby dealing would monitor and ensure its support to law, ethical standards, and international norms. Therefore, business should cuddle responsibility for the force of its behavior on the background, consumers, employees, communities, stakeholders. CSR should focused on business should active on encourage the public interest by encouraging community and social growth and development, and voluntarily eradicate practices that harm to the community, in spite of authority.

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