



## Social Rejuvenation of Corporate Social Responsibility-With Special Reference to India

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### Abstract:

Corporate Social Responsibility or CSR is popularly known as a system of gauging an organization's bearing on society and weighing their responsibilities. CSR is not just about getting involved in some charitable practices or having biological responsibility and a recycling policy. It is about the whole representation of the company which is to be considered, from internal practices to their clients, taking in every step that a business takes during its usual operations. It is a continuous commitment that companies should have towards the economic, social and environmental development of the community in which they operate. Several companies have now passionately taken up to the cause of CSR in countries with rising economies such as India. Corporate social responsibility is sustainable which involves companies to take up activities without having negative impact on their business. 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. This comes with a growing realization that they, as an integral part of this society themselves, can contribute to its upliftment and empower of the entire country in turn. Thus Companies now are setting up specific departments and teams that develop policies, strategies and goals which are for their CSR programs and assign separate budgets to support them. 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.

### 1. Introduction:

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. In 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 process with the aim 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 stakeholders.

Some argue that CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Political sociologists became interested in CSR in the context of theories of globalization, neo-liberalism, and late capitalism. Adopting a critical approach, sociologists emphasize CSR as a form of capitalist legitimacy and in particular point out that what has begun as a social movement against uninhibited corporate power has been co-opted by and transformed by corporations into a 'business model' and a 'risk management' device, often with questionable results.

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. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The notion is now extended beyond purely commercial corporations.

For corporations, the question of their CSR is increasing exponentially, because it is related with their license-to-operate, viz. their legitimacy. In light of the increasing critique of their economic activities within the last years, corporations have to give answers concerning their social role. Otherwise, they risk losing their license-to-operate. It would be narrow-minded, however, to think of this issue solely as a problem of business, for it is also a social issue. Corporations are a part of society and make a contribution to social life. In their role as main actors of the market economy system, corporations conduce to decentralized coordination of economic actions for the purpose of social cooperation for mutual success. Because of that, it cannot be fruitful to oppose CSR against the market economy system. Thus, the challenge for the discussion about CSR is also a challenge of (semantic) perspectives. The bottom line of CSR has to be the question of the conditions for social cooperation for mutual advantage. Therefore, it is not only the question of what corporations should do, but also where the limits of their responsibilities are.

### 2. Literature Review:

There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth. The reality is that CSR is not a tactic for brand building; however, it creates an internal brand

among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people. Khanna, Parul (2011). CSR holds a very important place in the development scenario of the world today and can pose as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. (Ahmed, Khalil, Mohammad). Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in 'spending' on CSR is unclear and is left for the companies to decide (Urmila Moon). It is clear from this paper that there is a correlation between Sales and CSR Investment. CSR has a wide-ranging effect across the globe especially in emerging markets. In India CSR is still at a very growing stage. (Ghose, Soheli, 2012). 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 (Usha, L, 2012).

### 3. Objectives:

The paper emphasizes the need to change the traditional understanding of CSR, which is the Philanthropic spending of the corporates hard earned profits with an eye on the future benefits of such spending.

The ISO 26000- 2010, Guidance for Social Responsibility clearly puts forth the objective of the social responsibility initiatives as to contribute to the sustainable development of the society.

The main objective of this seminar paper is to study the effect of initiatives of some corporates in India in bringing about, what this paper redefines CSR as the "Corporate (led) Social Rejuvenation", which by its very nature is a sustainable development of the society.

## 4. CSR- An Overview:

### 4.1. Why CSR?:

CSR has become increasingly important because today's heightened interest in the proper role of business in society has been promoted by increased warmth to and awareness of environmental and ethical issues.

Issues such as environmental damage, improper treatment of workers, and faulty production leading to customer inconvenience or danger are being highlighted during the last decade; elsewhere, investors and investment fund managers have begun to take account of a firm's CSR policy in making investment decisions; some consumers have become increasingly sensitive to the CSR programmes of the firms from which they buy their goods and services.

### 4.2 Perspectives on Corporate Social Responsibility:

In the age of globalisation, corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. One of the key characteristics of globalisation is the spread of the market and the change in the mode of production. The centralised mode of production has given way to a highly decentralised mode of production spread across the world.

In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behaviour of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand globalisation and liberalisation have provided a great opportunity for corporations to be globally competitive by expanding their production-base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Labourers, marginalised consumers, environmental activists and social activists have protested against the unprecedented predominance of multinational corporations.

The ongoing revolution in communication technology and the effectiveness of knowledge-based economies has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability and the New Economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment. It is in this context that we need to understand the new trends in corporate social responsibility.

There are three emerging perspectives that inform corporate social responsibility:

One, a business perspective that recognises the importance of reputation for capturing and sustaining markets. Seen thus, corporate social responsibility is basically a new business strategy to reduce investment risks and maximise profits by taking all the key stake-holders into confidence. The proponents of this perspective often include corporate social responsibility in their advertising and social marketing initiatives.

The second is an eco-social perspective. The proponents of this perspective are the new generation of corporations and the new-economy entrepreneurs who created a tremendous amount of wealth in a relatively short span of time. They recognise the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. They also recognise the fact that increasing poverty can lead to social and political instability. Such socio-political instability can, in turn, be detrimental to business, which operates from a variety of socio-political and cultural backgrounds.

Seen from the eco-social perspective, corporate social responsibility is both a value and a strategy to ensuring the sustainability of business. It is a value because it stresses the fact that business and markets are essentially aimed at the well-being of society. It is a strategy because it helps to reduce social tensions and facilitate markets. For the new generation of corporate leaders, optimisation of profit is the key, rather than the maximisation of profit. Hence there is a shift from accountability to shareholders to accountability to stakeholders (including employees, consumers and affected communities). There is a growing realisation that long-term business success can only be achieved by companies that recognise that the economy is an "open subsystem of the earth's ecosystem, which is finite, non-growing and materially closed". (Herman E. Daly in 'Sustainable Growth? No thank you' in *The Case of the Global Economy*, (Eds.) Jerry Mander, Edward Goldsmith; Sierra Book Club, 1996).

There is a third and growing perspective that shapes the new principles and practice of corporate social responsibility. This is a [B]rights-based perspective[/B] on corporate responsibility. This perspective stresses that consumers, employees, affected communities and shareholders have a right to know about corporations and their business. Corporations are private initiatives, true, but increasingly they are becoming public institutions whose survival depends on the consumers who buy their products and shareholders who invest in their stocks. This perspective stresses accountability, transparency and social and environmental investment as the key aspects of corporate social responsibility.

#### **4.3 Classification of CSR initiatives:**

"Explorers discover 147 species of Corporate responsibility": so was headed an article in *Ethical Performance* about a 2005 Ashridge Business School study on CSR activity. The study was then divided into 31 classes of activity, as follows:

##### **1) Area 1 : Leadership vision and values:**

- a) Defining and setting corporate purpose, values and vision
- b) Translating this into policies and procedures
- c) Putting it into practice including empowering and embedding
- d) Ethical leadership and championing.

##### **2) Area 2: Market place activities:**

- a) Responsible customer relations, including marketing and advertising
- b) Product responsibility
- c) Using Corporate responsibility product labeling
- d) Ethical competition
- e) Making markets work for all

##### **3) Area 3: Workforce activities:**

- a) Employee communication and representation
- b) Ensuring employability and skills development
- c) Diversity and equality
- d) Responsible/ fair remuneration
- e) Work-life balance
- f) Health, safety and well-being
- g) Responsible restructuring

##### **4) Area 4: Supply chain activities:**

- a) Being a fair customer
- b) Driving social and environmental standards through the supply chain
- c) Promoting social and economical inclusion via the supply chain

##### **5) Area 5 : Stakeholder engagement:**

- a) Mapping key stakeholders and their main concerns
- b) Stakeholder consultation
- c) Responding to and managing stakeholders
- d) Transparent reporting and communication

##### **6) Area 6: Community activities:**

- a) Financial donations
- b) Volunteering employees time
- c) Giving gifts in kind
- d) Being a good neighbor

##### **7) Area 7: Environmental activities:**

- a) Resources and energy use
- b) Pollution and waste management
- c) Environmental product responsibility
- d) Transport planning

#### **4.4. Ethical corporate social responsibility (Ethical CSR):**

**Ethical corporate social responsibility (ethical CSR)** is morally mandatory fulfillment of three parts of Archie Carroll's definition of CSR. In other words, it attempts to fulfill all of its socio-economic responsibilities, such as fairly priced salaries and products as well as providing a profit to shareholders, along with cooperating with legal and ethical responsibilities such as respecting people's moral rights and performing all business activities within the law.

Ethical CSR is what is ordinarily expected in the realm of morality and entails a negative injunction to avoid and correct activities that injure others, it is the mandatory minimal level of CSR an enterprise owes its constituencies.

**4.5. CSR (effectiveness) ratio:**

Our definition of CSR (effectiveness) ratio is - “The ratio of Number of people receiving the benefit of the CSR initiatives of a company, divided by the expenditure in USD on account of CSR by the company” Or in other words “Number of people benefited per USD spend by the company on CSR account”

**4.6. How to take the CSR ratio towards infinity?**

Obvious way is by giving the positive benefit to more number of people without spending much on CSR account. I know it is much easier said than done, but it is not impossible to achieve. Hence forth the article tries to explain what the way forward in doing so is.

The first connection between the corporate and the society is the product/s or service/s they offer to the individuals. Company's other initiatives follow a bit later. Hence the initial or the first chance of doing something good for the individual and the society is through the product or service the company is offering. This is a matter of greatest sensitivity and the companies which sense this try their best to handle this initial contact situation with lot of care.

How to go about achieving this sensitivity? Well, it really needs to percolate down from the Top Management members to the front line managers. Organizations need to find answer to the big question – “What needs to be done, so that their brand delivers? (The value the customer is looking for)”

**4.7. Common types of corporate social responsibility actions:**

There are many aspects of corporate social responsibility; whether a company decides to develop one area of CSR, or multiple, the end result is a more profitable company experiencing a higher level of employee engagement. The following is a list of common ways corporate social responsibility is implemented by organizations.

1. Environmental sustainability
2. Community involvement
3. Ethical marketing practices

**4.8. Corporate Social Responsibility as an Investment in Social Cooperation for Mutual Advantage:**

In general, it can be formulated that corporations exist in society, due to the fact that they contribute to social cooperation for mutual benefit. When corporations fulfill this condition, they likewise fulfill the condition of their license-to-operate. The management of the preconditions for the license-to-operate can be understood as the corporations' CSR task.

The challenge in the discussion about CSR is that the contribution of corporations to the social cooperation for mutual advantage has to be understood in the interplay with unintended effects. Corporations offer goods and services, because the market economy system offers incentives to do so. Market economy operates – under the precondition of appropriate rules of the game – according to Adam Smith's invisible hand. Corporations foster social interests by pursuing their realization of profits: “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.” (Smith 1776/1937, p. 13) However, it would be narrow-minded to assume that corporations fulfill their responsibility solely by maximization of profits. „The Social Responsibility of Business is to Increase Its Profits” (Friedman 1970) applies only to the neoclassical paradigm and its corresponding model theory suppositions. It has to be emphasized that Friedman's perspective is entirely correct within his model world. The problem of Friedman's approach is the one-sidedness; there is not only the possibility of a false understanding of responsibility but also of a false understanding of profit maximization. In reality, there are possibilities for irresponsible achievements of profits.

The possibility to gain profits in an irresponsible way exists due to incomplete contracts, respectively incomplete institutions. Within the market economy system, corporations always have a scope of action which they can utilize either in a socially desirable or in a socially undesirable manner. However, it is everything else but trivial to judge which actions are socially desirable. The problem of defining socially desirable actions is traced back to the problem of distinguishing between inevitable actions in the market economy and the abuse of scopes of action. A differentiation has to be made between the levels of rules of the game and the play within the rules; moreover, its associated conditions of incentives have to be considered.

The basic difficulties in the differentiation between socially desirable and undesirable actions with regard to CSR are enforced, because CSR tends to be understood as the expression of an intended social contribution. In consequence, the responsibility of corporations can hardly be understood other than as the *immediate* achievement of socially positive results. This means, in reverse, that the social desirability of corporations is questioned as soon as entrepreneurial decisions directly involve negative effects. This abets a perception which denies corporations their social desirability as soon as (1) their actions lead to the opposite of socially desirable results or (2) socially desirable results are not realized. It is a part of corporate routine, however, that corporations (1) take such decisions which are not always *immediately* socially desirable in the *concrete* case and that (2) decisions are not taken systematically with the intention to pursue socially desirable results. The second statement has to be understood against the background that the motivation of corporate decisions lies systematically in the realization of profits. Corporations indeed accommodate the demands of society, and likewise, always offer solutions to problems, but only in so far as it agrees with their realization of profits, viz. in a market-oriented manner. Explicitly, this becomes obvious corporations of the pharmaceutical industry. For many diseases in developing countries, these corporations do not provide (affordable) medicines. Furthermore, it is only within limits researched on active pharmaceutical ingredients for life-threatening, but rare diseases. The decisions taken by pharmaceutical corporations depend on the sales potentials of their products, viz. on the solvency, and thus precisely not on the need of their consumers per se.

In the market economy system, corporations are bound to make decisions which are – *taken by themselves* – sometimes socially undesirable, e.g. the suspension of staff, the relocation of business, shut-down of production lines or

increase of prices. A perspective which immediately links the responsibility of corporations to concrete socially desirable actions leads to a semantic problem. It is getting more and more difficult to explain in a *socially comprehensible* manner, why the effects that have been generated by corporations and that are perceived as socially undesirable cannot be attributed as per se negative to corporations and why they can sometimes be even socially desirable in the long-term perspective. It is then that the danger exists that members of society oppose, to the best of their knowledge, corporations and their actions, despite of their possible social desirability. To prevent misunderstandings, it has to be emphasized that a number of corporate decisions can be negatively assigned to corporations and that these decisions constitute irresponsibilities. But the point is that irresponsibilities cannot be deduced solely from the results.

## 5. Law:

Under the Companies Act, 2013, 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.

### **5.1. Companies bill passed with mandate on CSR spending in India:**

Lok Sabha on 19th February voted to replace India's 56-year-old Companies Act with the Companies Bill, 2011, that brings the management of the corporate sector in line with global norms. It introduces concepts like responsible self-regulation with adequate disclosure and accountability, guide in enhanced shareholders' participation and provides for a single forum to approve mergers and acquisitions.

The Bill, which will now travel to the Rajya Sabha, has said companies must "ensure" they spend at least 2 per cent of their net profit towards corporate social responsibility (CSR) activities, a move that has drawn both criticism and appreciation from the stakeholders but one that promises to change the way CSR has been perceived so far. Corporate affairs minister Sachin Pilot said CSR would be mandatory for companies like their tax liabilities. "Severity of law is not deterrent, it is surety which is deterrent," he said, adding the companies may engage in promoting education, reducing child mortality and any other matter they feel can contribute for social welfare.

## 6. Challenges of Corporate Social Responsibility:

### **6.1. The Importance of Empirical Conditions:**

The claims and critiques addressed to corporations in the name of responsibility have considerably gained in intensity within the recent years. On the one hand, this is a reaction to a number of corporate misconducts, such as the corruption scandal at Siemens, the Volkswagen bribe affair, or Enron's bankruptcy. On the other hand, this development expresses the wish for enhanced social participation of current and future corporate profits. The latter occurs, for instance, when the reduction of jobs is declared as being irresponsible.

In the face of the criticism and the numerous requests addressed to corporations, it is appropriate to ask for business' responsibility. However, the question for CSR has to be asked in an adequate manner, which means to start from a proper problem exposition. The precondition of a suitable question is the analysis of basic correlations. In other words, a "therapy" is successful only if it is based on an all-embracing, problem-specific "diagnosis". If conclusions and design recommendations are deduced from an inappropriate problem exposition, contraintentional effects can occur, whereby the condition of social cooperation is changing for the worse. This problem is, amongst others, known from the discussion and also from the realization of the normative concept of social justice, in whose name political actions – culminating in socialism – have often been justified. Those political actions have often led to the opposite of a liberal and solidary society.

A number of corporate activities do not comply with normative beliefs of society. Corporations are often criticized for (too) low social and ecological standards, for price increases, or the dismissal of employees. Nevertheless, it has to be questioned whether such activities can be declared per se as irresponsible, and hence, be attributed as negative to corporations.

The question is justified when considering the fact that no one will truly be against peace, sustainability or against full employment. Although such aims find a general consensus, it is to be recognized that they cannot always be attained in reality. The reason for the phenomenon that consensus is not enough lies in underlying empirical conditions, such as the laws of nature, climate conditions, or the finiteness of resources, but also in the self-interest of the individual<sup>10</sup>, institutions, or institutional arrangements such as competition.

The discussion about CSR is determined by the challenge – as is ethics in general – to consider these empirical conditions in order to comprise the relevant CSR-realm. It would be problematic if only that content would be understood as CSR which corresponds to social ideal conceptions, but which is not obtainable in reality. Those claims and critiques addressed to corporations which are superficial and which are based solely on moral ideals threaten to have a lasting negative effect on the conditions of social cooperation for mutual benefit.

When CSR is conceptualized in this way, it can be understood as the emphasis of normative ideals under the conditions of modern society. This can be illustrated as follows:

- (1) Normative Ideals
- (2) Empirical Conditions
- (3) Corporate Social Responsibility

This scheme points out that the responsibility of corporations (3) can not only be deduced from normative ideals (1), such as solidarity and justice, or pharmaceutical full supply. In order to implement CSR (3) as a concept rich in content for the praxis, and as socially worthy, a methodically controlled combination of normative ideals (1) and empirical conditions (2) is required.

## **6.2. The Problem of Insufficiently Justified Assignments of Responsibilities:**

Often the public discussion of CSR focuses on the question of *what* corporations should do in the name of responsibility. Corporations should safeguard employment, raise working and social standards, they should engage in social projects, fight against poverty, and so forth. The World Business Council for Sustainable Development, as an example for extensive demands on corporations, defines CSR as follows: "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." (Holme/Watts 2002, p. 8). At large, there is no lack of proposals on what corporations should do. The question why corporations should do so, on the contrary, is not frequently posed. In many cases, the responsibility of corporations is solely justified by the fact that corporations, due to their resource facilities, their power, and similar categories, are able to assume responsibility. Hence, responsibility is assigned to corporations, because it is presumed that corporations always have the opportunity to *take* responsibility. However, such an assignation causes different problems:

(1) It is focused on a statically desirable status, but it is not considered which consequences arise in the long run. Due to the complexity and the numerous interdependencies, there is the risk that in the name of CSR requests are articulated whose realization can have desired effects indeed in the short run, but which could contribute to the erosion of the *conditions* of long-term social cooperation.

(2) Unintended consequences of individual actions cannot be systematically considered, especially because side effects are not focused on. Modern society is, however, characterized by the fact that actions due to institutional *conditions* lead to socially desirable, but unintended effects. Since these effects are not considered, the social function of institutions, especially the function of the market economy system, cannot be born in mind.

(3) As a consequence, institutional conditions are omitted in the problem analysis, although they constitute central elements of social problems, viz. of moral conflicts. The result is a separation of responsibility and its corresponding underlying moral perceptions from prevalent institutional *conditions*.

(4) The question of the (legitimate) interests of corporations, which are assigned to assume responsibility, fades far into the background. The assignation of responsibility is merely justified by the argument that actors are able, due to their specific characteristics and features, to assume responsibility for the dissolving of social problems. According to that, individual *conditions* of those actors to whom responsibility is assigned remain unconsidered, and also the question of long-term consequences for the actors held responsible is not accounted for.

In summary, the problem lies in the insufficient consideration of actually existing *empirical conditions*. When responsibility is assigned without a resistant justification, this effects a reduction of complexity, whereby social interests shall be advanced ostensibly, but in the long run one has to fear opposite effects. This is related to a rescheduling of the market economy's competition. Besides, it is not taken into account that corporations are never able to meet all demands addressed to them, because the costs cannot be compensated by the profits. However, profits are an essential precondition for the continuance of corporations. At this stage of argumentation it can already be concluded that CSR can only then be fruitful for social cooperation for mutual advantage when the empirical conditions of modern society are adequately accounted for. The compatibility with incentives is of central relevance.

## **6.3. The Issues:**

In today's highly competitive and globalised business environment, the margins on which the businesses operate are getting thinner and thinner. They are under constant pressure to reduce their operating expenses and other costs so that the profitability figures at the end of the accounting period keep the investors happy and interested in retaining their stakes in the company. Under these circumstances any investments which are not giving immediate measurable returns are subjected to critical evaluation. The usual fate of such proposal is that it is either dropped or postponed for next financial year.

Hence one of the issues the companies face today is: "To generate and allocate funds required for supporting the CSR initiatives without affecting the bottom line of the business."

The second issue, some of the companies face is that although they are in position to allocate funds for CSR initiatives, but they are not able to zero down how, when and where they will spend that amount.

The third issue is that the CSR space is also getting crowded day by day and there is a subtle competition amongst the corporate to get noticed with their CSR initiatives. The obvious result of this competition is they are forced to spend more or rather disproportionately which indirectly starts discouraging them to take up CSR initiatives in future.

Because they are forced to allocate handsome amounts for CSR initiatives the companies start compromising or sometimes lose focus on other aspects of their operations and end up generating dissatisfied customers.

The fourth issue is "Sustainability". The companies who take up huge CSR initiatives should have a definite plan to keep the initiatives on year after year. The very fact that the spending on CSR account is treated as investment for generating returns in future; accountants start calculating ROIs and usually get discouraged with the figures.

### **6.3.1. The Core Issue:**

"How can someone be called as a donor when he expects something in return? One would rather call him a smart trader doing business with a slightly extended credit period in mind!" and, "Even if the donor gives without expecting anything in return, what actually is the final outcome of that donation? – Creation of a beggar or rather a community of beggars!" We strongly feel this is the real issue which today's responsible corporate citizen should recognize and put the best of their minds to find solution.

### **6.3.2. The challenges:**

The real challenges involved are:

1. To identify the real and genuine requirement/s of the target population.



2. To be able to meet those requirement/s with innovative solutions through your products and / or services with least possible burden on the target population.
3. Continuously track whether your objectives are met and if not put in additional efforts to achieve them.
4. To take the CSR ratio towards infinity. (CSR ratio is explained below)

## 7. Evolution of corporate social responsibility in India:

The **evolution of corporate social responsibility in India** refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the most richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realised then the CSR approach of corporates has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

### 7.1.The Four Phases of CSR Development in India:

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

#### The First Phase:

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhanian were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

#### The Second Phase:

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. *"I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories."* This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

#### The Third Phase:

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

#### The Fourth Phase:

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing {Gajare, R.S. (2014). A conceptual

study of CSR development in India. In D.B. Patil & D.D. Bhakkad, Redefining Management Practices and Marketing in Modern Age Dhule, India: Atharva Publications (p. 152-154).} and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

### **7.2.Current State of CSR in India:**

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. 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 being 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.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs range from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

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 corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. 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.

### **7.3.CSR activities of some Indian companies:**

- ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.
- SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water
- BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants
- Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.
- Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- GlaxoSmithKline 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.
- Bajaj Electricals Ltd corporate social responsibility activities include Education, Rural Development & Environment.
- Tata consultancy services is India's largest software service company and has won the Asian CSR award for initiating community development work and implementing various programs and devoting leadership and sincerity as ongoing commitment in incorporating ethical values. Major focus of the company is on education sector. Company is working upon literacy program that cares TCS designed computer based literacy model to teach adults and this program is known as a adult literacy program.



- Infosys: As a leading software company Infosys is into the providing language and computer education. Company has special program for unprivileged children by which company teaches them various skills and change their outlook too. Company also donates carom, chess board, chocolates etc. to the needy ones.
- Wipro Cares: Focus area of Wipro cares is on taking educational and health care initiatives for migrated communities and environmental issues and disaster rehabilitation.
- ITC: ITC Limited (ITC) is among one of India's leading private sector companies having a assorted portfolio of businesses. ITC is working with the concept of 'Triple bottom line' that will contribute to the growth of economy, environment and social development. Major focus area of the company is on raising agricultural productivity and helping the rural economy to be more socially inclusive.
- Maruti Suzuki a automobile industry works upon global warming and global issues like climate change Company has been strongly investing on environmental friendly products and manufacturing best products for the society. Maruti Suzuki is working upon conserving environment and preserving natural environment. Concept of reduce, reuse and recycle has been promoted by company in all the manufacturing units.

## 8. Survey Report on “CSR in India- 2013”:

Carried out for the first time in India, PwC's Corporate Responsibility Practices Survey gauges the awareness of sustainability issues and evaluates the practices of companies in India. Through the survey and this report, PwC aims to spread awareness and foster a better understanding of the value of corporate responsibility (CR) practices.

This Report focuses on four different dimensions:

### 1. Internal awareness

The survey explores the degree of internal awareness among participants of corporate social responsibility (CSR): their understanding of the meaning of this term and the extent of importance given to corporate responsibility. This section of the survey identifies whether a CSR policy is in place, which department is responsible and why companies invest or otherwise in CSR initiatives.

### 2. Current practices & external awareness:

The level of external awareness assesses whether companies believe that their stakeholders and the general public are aware of CSR and whether companies have been faced with calls for action by their stakeholders in relation to the impacts of their operations. We also report on current practices in relation to water and energy consumption, and waste management practices.

### 3. Social responsibility:

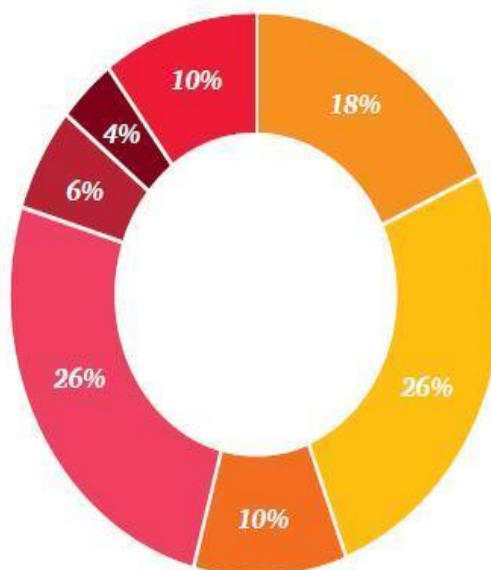
The section on social responsibility provides an understanding of the extent of responsibility companies feel towards society and the environment.

### 4. Regulation, compliance & disclosure:

This section evaluates the level of regulation, compliance and adoption of standards by local companies. It also illustrates the incidence of nonfinancial disclosures.

### 8.1. Participant's characteristics:

The companies which participated in the survey are medium to large scale companies with majority employing more than 500 persons or more and having an annual turnover of over 5 million Rupees.



18% - Less than 10

10% – Between 50 and 100

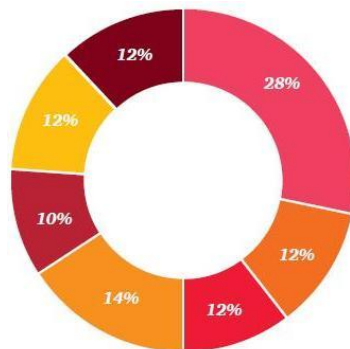
6% - Between 150 and 200

10%-Above 500

26% - Between 10 and 50

26% - Between 100 and 150

4% - Between 300 and 500

**Company size by turnover:**

28% - 0-2 million

12% - 5-10 million

10% - 20-50 million

12% - Over 100 million

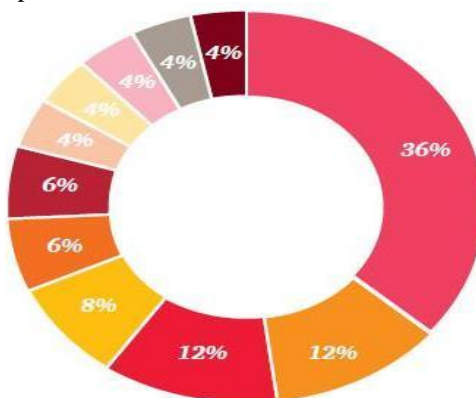
12% - 2-5 million

14% - 10-20 million

12% - 50-100 million

**8.2.Sectoral Distribution:**

The financial services, insurance, and the information and communication sectors participated actively in this survey. However, over half of the responses relate to the manufacturing sector, services, professional activities, accommodation and other private and public sector activities.



36% - Financial and insurance activities

12% - Manufacturing

6% - Professional, Scientific &amp; technical activities

4% - Wholesale and retail trade, repair of motor vehicles and motorcycles

4% - Accommodation and food service activities

4% - Public administration and defence, compulsory social security

4% - Real estate activities

12% - Information and communication

8% - Other service activities

6% - Transportation and storage

4% - Education

**8.3.Internal Awareness:**

“How would you define corporate responsibility? ”

- conducting business in an ethical and professional manner – 36%
- taking initiatives to reduce the company’s impact on the environment – 34%
- providing a safe working environment for employees – 24%
- giving donations to charity – 18%

64% said all of the above.

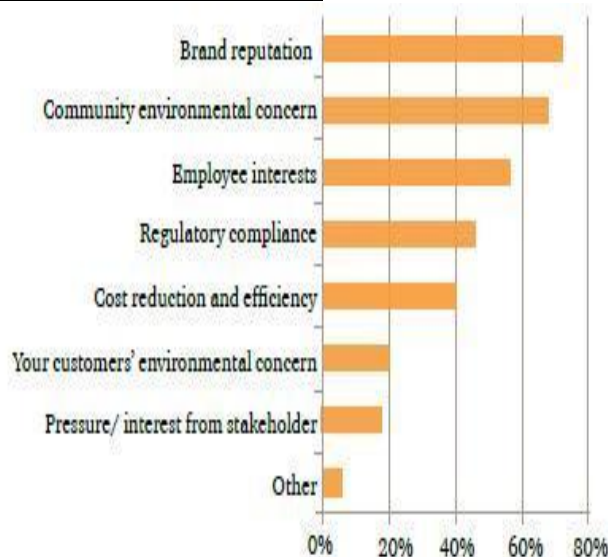
“Does the company have a CSR policy or programme?”



48% have a department responsible for CSR.

**8.4.Current Practices:**

- 52% of companies have implemented measures to reduce water consumption
- 36% of companies have invested in some form of renewable energy technology
- 96% of companies have invested in some form of energy saving measures, with the most popular being: new lighting fixtures, procurement of energy efficient equipment, installation of sensors and staff awareness campaigns

**8.5.Main driving forces behind companies' CSR efforts:**

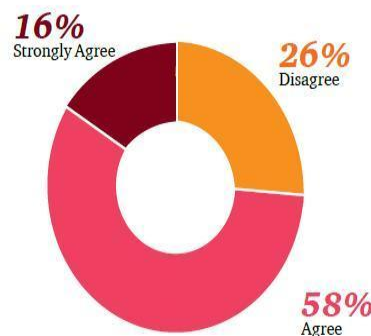
**70% chose brand reputation**

**8.6.Social Responsibility:**

76% of companies believe that CSR will become very important in five years' time. Over half of the respondents attach importance to environmental and social issues. In particular, companies illustrate concern over water and energy consumption, health and safety, pollution and waste management. 84% of companies feel strongly about their responsibility, towards their people, to create an ethical and safe working environment. This goes beyond ensuring compliance with occupational health and safety standards and deals with ethical behaviour in their HR practices and service delivery.

**8.7.Standards and certification:**

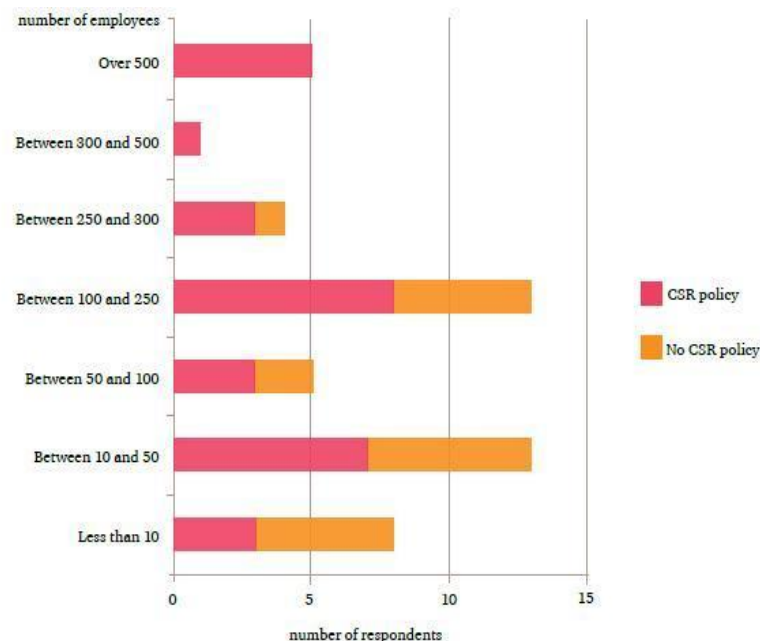
74% of companies agree that holding such certification or standards is beneficial. 12% of the companies surveyed hold some form of certification or standard. These include the ISO 14001 (Environmental Management), EMAS (EU Eco-Management and Audit Scheme), ISO 26000 (Social Responsibility) and eco-certification.

**8.8.Findings:****98% of companies believe that India has a problem with natural resources.**

Companies participating in the survey show a strong acknowledgement of the problem of resource scarcity in India. Over half of the companies state that they have a CSR policy in place, a code of ethics, and that they have invested in energy savings activities, amongst other initiatives. In other words, companies state that they give a lot of importance to CSR. Yet, close to 70% of the companies do not disclose information about their CSR efforts in their annual report. This could be explained by the perceived lack of interest by stakeholders, such as customers, suppliers and shareholders. 66% of the companies claim that their stakeholders are not aware and do not give enough importance to environmental and social issues. Companies that report on their non-financial performance appear to see value in non-financial disclosures. Those who provide non-financial information do so to show their internal commitment, and use it as a marketing tool to associate their organisation with sound environmental management practices. In the minds of participant companies, procurement is one of the areas through which they impact the environment. The recent launch of Green Public Procurement Regulations and targets may have increased this awareness.

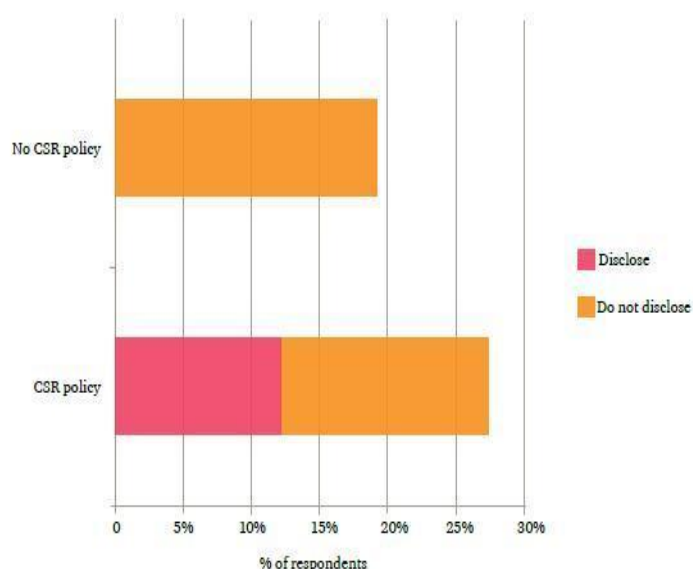
Companies feel they affect the environment when purchasing office equipment, purchasing paper and choosing brands and suppliers. Companies feel responsible towards their people in terms of creating a safe and ethical working environment. 84% of the companies surveyed feel the responsibility to create such an environment for their staff. **Over 60%** of companies show awareness of their impact on the environment and on the community. The top three impacts are: energy consumption, waste generation and health and safety. Existence of a CSR policy:

### 8.8.1. Companies that have a CSR policy in place mostly belong to the medium to large category:



### 8.8.2. Disclosure of CSR policy:

The incidence of disclosure on environmental and social aspects tends to be higher across larger companies. Those companies that have a CSR policy or programme in place are more inclined to report on their environmental and social performance.



### 8.9. Survey Conclusion:

1. Awareness of corporate responsibility is rising and the understanding of the term is moving away from just charitable donations to include environmental matters, health and safety, ethics and other considerations.
2. These findings show an increased sense of responsibility by companies towards their people, the environment and the wider community. The main drivers are clearly the brand and an internal commitment to corporate values.
3. The three main areas of activity in the local scenario are energy and water consumption, followed by waste management. As companies envisage CSR to grow in importance, other areas of corporate responsibility may see additional investment in the near future.
4. Stakeholders' expectations and pressures are still low when compared to other countries. Disclosure efforts are mainly driven by a desire to show a company's internal commitment to CSR and to some extent by regulatory bodies.

### 9. Final Remark:

"We strive for the best we can attain within the scope the world allows" (Rawls 1996, p. 88) –in the end, the quotation means nothing else than the orientation towards reality. This was the issue of this paper. The orientation towards reality is inevitable, if CSR is to be made operable for the sustainable social cooperation for mutual benefit. Corporations constitute a social asset which has to be carefully treated. This very treatment presupposes a sufficient knowledge about basic relations in the complex world. At present, especially the concept of CSR is endangered to be discussed in public – by all means in a well meant manner – in a way which leads to the undermining of its purpose. In

order to prevent this, a matter-of-fact discussion is required. Only such a discussion can lay the foundations for a firm establishment of the responsibility of corporations. The present paper aimed at contributing to this specification.

## 10. Conclusion:

Business houses in India 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 India today and can create as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. This study provides insights society into an area of growing concern of firms towards society. Firms have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices. 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 huge. Corporates have the expertise, strategic thinking, manpower and money to facilitate wide social change. Effective partnerships between corporates, NGOs and the government will place India's social development towards tremendous growth. As per the changing market demands need of the hour is for the development of CSR framework that has been imposed by the government. So that, we can contribute to make better planet to live in.

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