

CORPORATE SOCIAL RESPONSIBILITY IN INDIA

*P.SRAVAN KUMAR **S.GOWTHAMI ***P.HIMA BINDHU

Abstract:

India is a developing economy, here Corporate Social Responsibility (CSR) play significant role in organizations. In Indian industry one can easily notice a pattern shift from corporate humanitarian to being socially responsible. The importance of CSR is increasing in Indian corporate scenario because organization have realize that ultimate goal is not profit making beside this trust building is viable and assert able with societal relationship. The compulsion of CSR has emerged in last two decades when Indian organization realizes the importance of sustaining in this competitive competition era. Before this Indian industries had money-oriented culture. In the kind and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused toward profit maximization which led social backwash. To overcome this manner CSR play an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it. The problem with Corporate Social Responsibility is that nobody is very clear about what exactly it encompasses. The Indian government has been trying to make it mandatory for companies to spend at least 2% net

profits on CSR. Today CSR to some companies means providing lunch to their employees or tackling global warning issues. Now a day's company have become more transparent in their balance sheet. They are displaying public reporting in their accounting. Companies are incorporating their corporate social responsibility initiative in their annual report. This research paper try to analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR. I would like to through light on CSR for Indian organization which would be helpful for both economic and social interest which would be ultramodern majors to provide valuable information as well as suggest on their CSR practices and performance.

Keywords: Corporate Social Responsibility, Community Development, Corporate Society Relations.

***S.GOWTHAMI** P.G Student, Department of Management Studies ,Gates Institute of Technology,Gooty-515401,A.P.
E-mail; gowthami0906@gmail.com,

Mobile:9177028025 **P.HIMA BINDU,PG
Student Department Studies,Gates Institute
of Technology,Gooty-515401,A.P. E-mail;
himabindu9913@gmail.com
Mobile:8142221946

***SRAVAN KUMAR**,Research
Scholar,SKIM,SK
UNIIVERSITYTechnology,Gooty-
515401,A.P.E@gmail.com,Mobile:9966403
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Introduction

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting and display 'public reporting' due to pressures from various stakeholders. It is possible for companies to behave in the 'desired' ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports.

Objectives:

- To study the CSR status in India.
- To understand the meaning and various models of CSR.
- To study the policies governing CSR in India.

- To study the challenges faced by CSR in India.
- To craft suggestions for accelerating CSR initiatives.

Research Methodology:

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

Corporate social responsibility concept, definitions, models:

In India, the ethical model promoted by Mahatma Gandhi during 1930s is well known which stated the role of family-run-businesses conducting social and economic activities. This was followed by the Statist model propounded by Pt. Jawaharlal Nehru. In this model, state-driven policies included state ownership and extensive corporate regulation and administration. At the global level, the first attempt to define CSR is contributed by many to Howard Bowen's Social Responsibilities of the Businessmen (1953) who questioned the status and degree of responsibilities that business people should accept. Milton Friedman introduced liberal model which stated that corporate responsibility primarily focus on owner objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests. During 1980s,the CSR concept grew to include corporate objectives with the social responsibility of business thereby making it responsible to care for environment,

employees and also make good returns. In the 1990s, Peter Drucker and many other authors propagated CSR as a part of corporate strategy. The approach to CSR has also changed from Agency theory to Stakeholder theory. Again, the stakeholder model emphasizes on survival of the corporation which throngs upon not only the responsibility towards shareholders but also towards employees, governments and customers. CSR is interchangeably used with several terms like business ethics, corporate citizenship, social and environmental responsibility, corporate sustainability.

According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner at the same time as balancing the interests of diverse stakeholders." Today the concept of CSR has undergone essential change. It has integrated social as well as environmental issues into their missions and decisions. Companies take keen interest in informing about their CSR activities to their stakeholders as well. Across the globe, business enterprises have undertaken CSR initiatives in the areas of water conservation, healthcare, rural welfare, environment protection, poverty alleviation, education, community investment projects, culture and heritage, bio-diversity, disaster management and relief, culture and heritage, green environment, product responsibility, governance, waste management and gender equality.

Why Corporate Social Responsibility?

Corporate Social Responsibility main aim is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. There are many numbers of business models developed in order to achieve CSR objectives. Being a good corporate citizen the companies have to be internally well governed and externally responsible. In other words, CSR and corporate governance are two sides of the same coin.

The following are some of the drivers pushing business towards Corporate Social Responsibility.

1 The Shrinking Role of Government:

Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

2 .Demands for Greater Disclosure

including customers, suppliers, employees, communities, investors, and activist organizations.

3 Increased Customer Interest:

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.

4 Growing Investor Pressure: 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.

5 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.

6 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. Corporate Social Responsibility: Issues, Challenges and Strategies For Indian Firms. Indian firms are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Corporate social responsibility in India:

In developing economies like India, CSR is seen as part of corporate philanthropy in which corporations supplement the social development to support the initiatives of the

government. However with time, the scenario of CSR has changed from being philanthropic to being socially responsible to multi stake holders. The period of 1960s and 1970s saw an emergence of CSR activities being inbuilt in corporate philanthropy. (Mohan, 2001) 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. 'Sustainability in Asia ESG reporting uncovered' (September 2010) is based on four parameters viz. General, Environment, Social and Governance. In its study based on 56 companies in India, it observed that India is ranked second in country ranking in Asia and is ranked one ranking in general category. It is observed that reporting is strongly followed by companies as well as they seek international development standards. It could be attributed to the Indian government compelling the public sector companies to provide for community investment and other environmental, social and governance liabilities. A key finding of the survey conducted in June 2008, aimed at understanding of the role of corporations in CSR, carried out by TNS India (a research organization) and the Times Foundation, revealed that over 90 per cent of all major Indian organizations surveyed were involved in CSR activities. Besides the public sector, it was the private sector companies that played dominant role in

CSR activities. A study on the CSR activities of 300 corporate houses, conducted by an industry body in June 2009, revealed that Corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. The study also revealed that 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.

CSR Controversy:

Maratha Mandir's Baba sahib Gawde Institute Of Management Studies Many countries separate philanthropy from social responsibility. While in India, it is seen as weapon for social activities including recruitment and retention. Also, many argue that it helps in building an image of the organization. While some argue that government does away with their role of playing a regulatory body over the powerful business houses. Others criticize that CSR is not their basic economic role of business. Some even say that CSR is put in place to gain commercially as well. It is also argued that CSR initiatives undertaken result into deviation from basic business roles. While some others state that the impact of the CSR is not only impacts profits but benefits the society at large. In the light of these arguments, the trend of increased CSR initiatives cannot be ignored clearly reflecting the awareness the companies in India have gathered today.

CSR in SMEs:

The concept of CSR has extended to SMEs as well. This sector was never taken into account for negotiations and conventional approach to CSR is generally assumed to be the part of large companies. It is a well known fact that SMEs produce large proportion of country's output, provides huge employment and generate extensive revenues to the government not only in developed countries but developing countries as well. Small to medium-sized enterprises account for about 90 percent of businesses worldwide and are responsible for around 50 to 60 percent of employment. They, potentially have a significant impact on social welfare. As the SMEs also include stakeholders and an impact on the society, it is necessary to understand the role of SMEs in CSR activities. However, it is difficult to enroll the concept for SMEs as they face challenges of survival, time and resource constraints, fear of additional regulations and no systematic incentives. General problems like lack of information, getting trained employees, and getting support from related officials are other limiting factors for SMEs to get involved in CSR activities. However, there are several benefits available to SMEs like small number of employees with quick communication and decision making, unique selling propositions and competitive benefits through their products and services, cost and efficiency savings. According to a study by the European Commission in 2007 ('Corporate Social Responsibility in SMEs -

SMEs Good practice'), CSR can positively influence SMEs' competitiveness in numerous ways. SMEs can provide with improved products, high customer loyalty, motivated employees, innovative and creative employees, cost savings, increased profitability due to optimum resource utilization, enhanced networking with business partners and improved company image. Thus, it is advisable for the government to look into policies and legislations for the benefits of SMEs adapting CSR and take up initiatives aimed at encouraging SME involvement in CSR which should be easily accessible and relevant.

Policy Initiatives:

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. The central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. To ensure the active participation of public sector companies in CSR initiatives, the government in planning to introduce certain legislations. 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 to 5 per cent of the company's net profits. As per the guidelines, companies with net profit of less than US\$ 22.5 million will earmark 3 to 5 per cent of profit for CSR, companies with

net profit of between US\$ 22.5 million - US\$ 112.5 million, will utilize 2 to 3 per cent for CSR activities and companies with net profit of over US\$ 112.5 million will spend 0.5 to 2 per cent of net profits for CSR. This proposal was discussed two years earlier as well however due to protests from companies, it became voluntary exercise. As reported in Times of India, February 10, 2011, the Ministry of Company Affairs (MCA), which is finalizing the new Companies Bill, has accepted a Parliamentary Standing Committee's recommendation on the issue. However it has proposed that companies with a turnover of Rs 1,000crore or net profit of Rs 5crore or more must earmark 2 per cent of their net profit for the preceding three years on CSR. In case if the companies fail to comply with the prescribed spend, it will have to list out the reasons for the shortfall to Maratha Mandir's Babasaheb Gawde Institute Of Management Studies its shareholders. The revised Companies Bill will be placed in Parliament during the Budget session that starts later this month.

CSR Initiatives and Green Measures:

India Inc has joined hands to fine-tune all its activities falling under CSR. For this, it has set up a global platform to showcase all the work done by Indian firms. Confederation of Indian Industry (CII) and the TVS Group collaborated to form the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It provides consultancy

services and technical assistance on social development and CSR. According to a National Geographic survey which studied 17,000 consumers in 17 countries, Indians are the most eco-friendly consumers in the world. India topped the Consumer Greendex, where consumers were asked about energy use and conservation, transportation choices, food sources, the relative use of green products versus traditional products, attitudes towards the environment and sustainability and knowledge of environmental issues.

- Reliance Industries and two Tata Group firms—Tata Motors and Tata Steel—are the country's most admired companies for their corporate social responsibility initiatives, according to a Nielsen survey released in May 2009.

- As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribal's in the Sasan area of Gir forest.

- The financial services sector is going green in a steady manner. With an eye on preserving energy, companies have started easing the carbon footprint in their offices. The year 2009 witnessed initiatives including application of renewable energy technologies, moving to paperless operations and recognition of environmental standards. Efforts by companies such as HSBC India, Max New York Life and Standard Chartered Bank

have ensured that the green movement has kept its momentum by asking their customers to shift to e-statements and e-receipts.

- State-owned Navratna Company, Coal India Ltd (CIL) will invest US\$ 67.5 million in 2010-11 on social and environmental causes.

- Public sector aluminum company NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its Corporate Social Responsibility (CSR).

Challenges of CSR:

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and developed staff are additional problems for reduced CSR initiatives. General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it. The

increasing demand for more transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also inevitable for the companies. Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they loose out on people and their trust in them. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard. The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept passably.

Suggestions:

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organization needs to recognize their own role in promoting CSR. Companies should provide wider professional development activities. Training, conferences and seminars could be organized by companies to disseminate and generate new knowledge

and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organization's contribution further. Government regulations which are supporting in this direction could attract more response from organizations. All this would also lead to benchmark CSR activities. Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

Conclusions:

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. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives.