

An Analysis on the Development of Corporate Social Responsibility (CSR)

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Abstract: Corporate social responsibility is a concept which is integrated by the companies to incorporate social concerns to their planning and operations. CSR is generally, understood as being the way through which a company achieves a balance of economic, environmental and social imperatives. Indian and international companies are creating comprehensive CSR programs that engage every business unit. As businesses grow, it is more important than ever before that they consider their impact on a country's domestic populace. Realizing the importance of CSR in today's world this paper aims to analyze briefly on all the aspects of CSR. It highlights different phases and different theories in the development of CSR in India.

Keywords: corporate social responsibility, Growth of CSR, CSR programs

1. Introduction

CSR can be simply defined as the ethical role of the company in society. It is a concept in which the interest of the society is taken into consideration, by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment. More than generating profits and commitment towards the stockholders and investors, the company is expected to have a responsibility towards the environment. In India many corporations have started to realize that creating impact in the environment is as important as promoting the brand.

2. Definitions of CSR

Howard Bowen defines CSR as: "the obligation of business to pursue those policies, to make decisions or to follow those lines of action which are helpful in terms of the objectives and values of our society"

Archie B. Carroll defines CSR as: "Corporate Social Responsibility encompasses the economic and legal expectations that society has of organizations at a given point of time" Including the above two definitions many other authors have defined CSR on their own terms and till the date there is no common definition as far as CSR is concerned. Therefore, in simple Corporate Social Responsibility denotes the way the companies contribute to the creation of wealth and development in the standard of living of the society.

3. Objectives of the Research

1. To understand the phases of growth of CSR
2. To analyze the business perspectives and legal perspectives of CSR in India
3. To study the challenges faced by CSR in India
4. To analyze the initiatives taken and provide suggestions for the development of CSR

4. Phases of Growth of CSR

India has the world's richest tradition of Corporate Social Responsibility. Although the term CSR is pertinently new, the concept of CSR dates back to over a hundred years. The history of CSR runs parallel to the historical development of India. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relation. The evolution of CSR can be divided into four different phases:

1) *The first phase*

The initial phase of CSR is known for its "charity" and "philanthropic" nature. It was predominantly determined by culture, family, tradition and industrialization. The money that was earned by the businessmen was spent on the welfare of society, by setting up temples and religious institutions. In pre-independence times, the pioneers of industrialization families like Tatas, Modis, and Godrej promoted this concept by setting up charitable foundations, educational and healthcare institutions and trusts for community development. These business houses were greatly devoted to philanthropically motivated CSR. It has been observed that their efforts towards social and industrial development were influenced by caste groups and political objectives.

2) *The second phase*

In the second phase, during the independence movement, there was increased stress on Indian industrialists to demonstrate their dedication towards the development of society. Mahatma Gandhi urged rich industrialists to share their wealth and benefit to the poor and marginalized in the society. His concept of trusteeship promoted socio-economic growth. The aim of which was consolidation and amplification of social development. Indian businesses proactively engaged in the process of reformation. The firms also participated in the institutional and social development. (India partnership forum,

2002) The vision of a free and modern India stimulated the involvement of corporate sector. The companies and industries were named as “temples of modern India” by Mahatma Gandhi. Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. These trusts were also focused on abolition of untouchability, encourage women empowerment and rural development.

3) *The third phase*

The third phase of CSR was characterized by the emergence of public sector undertakings, to ensure better distribution of wealth in society. It had its relation to the element of “mixed economy” and laws relating labor and environmental standards. The policy on industrial licensing and taxes, and restrictions on the private sector resulted in corporate malpractices, which triggered suitable legislation on corporate governance. During this period the private sector was forced to take a backseat and the public sector was seen as the prime mover of development. The period was described as an “Era of Command and Control” however the public sector was effective only to a certain limited extent. This led to shift of public to private sector and their active involvement and their involvement in the social development of the country became necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR which aimed at reconciliation. They highlighted upon socio accountability, transparency and regular stakeholder dialogues. In spite of such approaches CSR failed to materialize.

4) *The fourth phase*

In the current phase of CSR in India, which began in 1980's changed the traditional philanthropic engagement of CSR and integrated it into a sustainable business strategy. In 1990 the first initiation towards globalization and economic liberalization were undertaken. The relaxation in the controls and licensing system, led to a boom in the country's economic growth. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them able to contribute towards social cause. Globalization has transformed India into an important objective in terms of producing and manufacturing bases of TNCs are concerned. As the western markets are becoming more concerned about the environmental standards in the developing countries, Indian companies exporting goods for the developing world, needs to be more cautious to compete with international standards.

5) *Business perspective of CSR*

Corporate Social Responsibility means companies aligning their social values with a greater good and taking action towards a positive effect. The business perspective of CSR justifies the utilization of resources and interaction with their stakeholders to advance a certain socially responsible cause. In the long run economic development can only be achieved in a stable and productive society, but the reason why corporations are increasingly looking for corporate social responsibility for answers, in particular in the context of a globalized economy. More number of enterprises are expanding their approach towards a more active Corporate Social Responsibility strategy. In this respect businesses see CSR as an opportunity for

economic development and success.

6) *CSR on an industry level*

CSR is not just for the individual companies, the standards of CSR can be established on an industry level too. These industry standards concentrate on the topics like environment, human rights or labor rights. CSR standards at an industry level gives the advantage of the most accurate regulations with flexibility in the implementation at corporate level. The main benefit of industry-specific regulations is that the way it adapts to different situations. They are often in cooperation with stakeholders, this allows them to face many challenges. Although industry standards cannot fully replace codes of conduct at company level because of the different company sizes.

7) *CSR in SMEs*

SMEs also undertake social responsibility. They meet the same challenges as larger enterprises. It is important to involve the SMEs in stimulating responsible business behavior because their CSR related considerations increasingly influence the key stakeholders like suppliers, customers, employees and the community. Due to limit resources, financial burden and reduced operational costs, it has been observed that SMEs find it difficult to undertake CSR activities. But CSR can positively influence SMEs competitiveness by improved products and production process at a reasonable budget, resulting in better customer satisfaction.

8) *Legal perspective of CSR:*

Corporate Social Responsibility is a form of soft law. But is nonetheless seen as obligatory by most corporations because of consumer expectations and internal norms. The current provision of law aims at universalizing the ethical behavior of the companies. The law seeks to be applicable to those big firms only, while the small and medium enterprises retain their discretion in deciding terms of social behavior. CSR laws are meant to help in transferring excess capital from the haves to the have-nots via acts of charity. According to the available data CSR laws will help in increasing amount of monetary contribution. This will help corporate undertakings to take up a lot more social, economic and environmental activities in order to help the general populace. This will also help corporates to have a direct stake in improving the society and drastically change their role from perceived exploiters of commerce to facilitator's development.

The introduction of section 135 in the Companies Act 2013, India became the first country to have statutorily mandated CSR for specified companies. The act requires companies with a net worth of Rs.500crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during the immediately preceding financial year, to spend 2% of the average profits of the immediately preceding three years on CSR activities. Considering that CSR expenses have a “philanthropic nature” Parliament legislated that the CSR expenses would not be eligible for deduction under section 37 of the Income Tax Act. The objective of CSR is to share burden of the government in providing social services by companies having net profit above a threshold.

5. Challenges of CSR

1) Issue of transparency and disclosure

Lack of transparency and disclosure is said to be one of the key issues. There is a demand by the companies that there exists a 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 and utilization of funds. This impact the process of trust building between the companies and local communities, which is key to the success of any CSR initiative.

2) The decreasing role of government:

In the past governments have relied on regulations to deliver social and environmental objectives in the business sector. Decreasing government resources, with distrust of regulations, had led to the exploration of voluntary and non-regulatory initiatives.

3) Pressure from investors

Those looking to invest capital are more likely than ever to invest in companies with high marks for corporate social responsibility and sustainability. They rely on resources like the Global Reporting Initiative to monitor and evaluate companies for completeness and veracity in their sustainability reporting.

4) Need 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.

5) Visibility factor

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This influence of gaining visibility leads many non-governmental organizations to involve themselves in event-based programs, in this process they often miss out meaningful grassroots interventions.

6) Initiatives of CSR

Many businesses throughout the world provide support to their communities through charitable giving or employee CSR volunteering with local groups. This volunteering effort would provide a service for the community while protecting the natural environment at the same time. Through this initiative, the company would promote its local community as clean, healthy place to live and work.

- *Ambuja cements*: Committed to providing quality lives to the unprivileged, it emphasizes on utilizing the hidden talent of people. It also focuses on generating goodwill among its stakeholders through their community initiatives.
- *Infosys*: provides programs of quality education to its citizens, increasing their IT skills and proficiency. They are sensitive towards vigilant utilization of natural resources and believe that the use of energy has a direct impact on the environment.
- *ITC*: creates a balance between its dual mission of providing stakeholder and social value enhancement.

Some of its noticeable efforts are in agriculture sector of the country.

- *Tata motors*: initiatives are centered on health, primary education, skill training, women empowerment and support services for differently abled. The programs hold local, national and global relevance.

6. Suggestions

- To create an awareness about CSR among the general public to make CSR initiatives more effective.
- Extend CSR initiatives to small, medium and large corporate houses.
- Allocating finance for treating CSR as an investment from which returns are expected.
- Monitoring CSR activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes.
- The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution CSR initiatives. SME have to be encouraged to positively contribute and reap the benefits created by CSR.
- To develop partnership between all stakeholders including the private sector, employees, local communities, the government and society.

7. Conclusion

CSR is about establishing that a business can develop on a sustainable basis. It also makes sure that it is fair to all stakeholders. CSR in India has improved so much. It has interlinked business with social inclusion and environment sustainability. By sustainable initiatives corporate have indicated their ability to make a difference in the society. In the current social situation in India, it is difficult for one single company to bring about change, as the scale is huge. Corporate have the strategic thinking, manpower and money to facilitate social change. Effective partnerships between companies, NGOs and the government will set India's social development on a lively track.

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