

# Corporate Social Responsibility of Business in India

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**ABSTRACT:** Corporate Social Responsibility plays an important role in the business. In fact, we can say that Corporate Social Responsibility (CSR) is an important aspect of business. Emerging economies face a plethora of social, economic and environmental issues. On the one hand, these have adverse effects that negatively impact the overall development of such economies; and on the other, they offer challenges which when addressed, help these economies to chart a course of integrated and inclusive growth, thus providing them with an opportunity for national development. Over the years Corporate Social Responsibility (CSR), a concept comparatively new to India, is rapidly picking up pace. CSR has become a fundamental business practice and has gained much attention from the management of large international companies. It facilitates the alignment of business operations with social values. CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development of the community. Acknowledging the fact that mainstreaming CSR into businesses could be instrumental in delivering societal value, especially in a developing country like India, this paper specifically aims at providing an understanding of concept of CSR and analyses the development of CSR and social performance of business in India. This paper provides the various methods through which business can be made to discharge their social responsibilities. It also analyses the challenges facing CSR in India. The paper provides suggestions to overcome them and enhance the performance of CSR in India.

**Keywords:** Corporate social responsibility, social performance of business, corporate challenges and corporate suggestions.

## I. INTRODUCTION

Social Responsibility is a nebulous idea and hence is defined in various ways. Adolph Berle has defined social responsibility as the manager's responsiveness to public consensus. According to

Keith Davis, the term social responsibility refers to two types of business obligations, viz.

- (a) The social-economic obligation
- (b) The socio-human obligation.

The socio-economic obligation of every business is to see that the economic consequences of its action do not adversely affect public welfare. This includes obligation to promote employment opportunities, to maintain competition, to curb inflation, etc. The socio-human obligation of every business is to nurture and develops human values (such as morale, cooperation motivation and self realization in work).

Every business is part of a total economic and political system and not an island without foreign relations. It is at centre of network of relationships to persons, groups and things. The businessmen should think and consider the impact of his actions on all to which he is related. He should operate his business as a trustee for the benefits of his employees, investors, consumers, the government and general public. His task is to mediate among these interests, to ensure that each gets a square deal and that nobody's interests are unduly sacrificed to those of others.

Most definitions describe CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. (CEC: Green Paper for Promoting a European Framework for Corporate Social Responsibility)

The World Business Council for Sustainable Development (WBCSD) defines CSR as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

Corporate social responsibility (CSR) is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by

engaging in or supporting volunteering or ethically-oriented practices.

Kotler and Lee define CSR as “Corporate social responsibility is a commitment to improve community well-being through discretionary, business practices and contribution of corporate resources. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility”. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility.

The conclusion would be that there is no unanimity on the definition of what constitutes Corporate Social Responsibility (CSR). However what could be taken into account CSR is generally used to describe business’s efforts to achieve sustainable outcomes by committing to good business practices and standards.

CSR is titled to aid an organization's mission as well as serve as a guide to what the company represents for its consumers. Business ethics is the part 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.

Although the subject ‘social responsibilities of business’ in its present form and content has gained popular attention in recent years only, its origin can be traced back to the evolution of the concept of welfare state.

As pace of industrialization quickened, employers became more and more concerned with the loss of productive efficiency due to avoidable sickness or to stoppages of work due to bad personal relationships. This gave rise to the idea of welfare state which was further strengthened by the growth of democracy and of respect for human dignity during the last 150 years. Any extension of democracy has always produced an extension of popular education. As soon as the newly enfranchised are in a position to make their demands effectively felt, what they ask of their governments is social security, protection against the cruel hazards of life and help for the destitute. Accordingly, as the electorate widens, so the rulers have to provide as the political necessity, provisions for the aged, compensation for disablement at work, rely during sickness and unemployment and wage legislation.

The framework of a welfare state and with it the concept of social responsibility have thus come to stay in many countries of the world. The concept of CSR has been imbibed in Indian society from the very beginning. Gandhi’s philosophy of trusteeship is similar to CSR of the modern world; companies like TATA and BIRLA have been imbibing the case for social good in their operations for decades long before CSR become popular cause. The avid interest in community welfare among the Tata Group dates back to the 1860s when the company was founded by Jamshedji. Dr. Kurien’s Amul-led Operation flood had pioneered inclusive growth through work with dairy farmers at grass-root level, changing lives, enhancing income, empowering women and at the same time reaping benefits to the business.

At Indian Oil, corporate social responsibility (CSR) has been the cornerstone of success right from inception in the year 1964. The Corporation’s objectives in this key performance area are enshrined in its Mission statement: "...to help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience."

Before Corporate Social Responsibility found a place in corporate lexicon, it was already textured into the Birla Group's value systems. As early as the 1940s, the founder G.D Birla espoused the trusteeship concept of management. Simply stated, this entails that the wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. With regard to CSR, this means investing part of our profits beyond business, for the larger good of society.

Over the years CSR has gained importance in India as companies are realizing the importance of investing in CSR for achieving benefits of creating share holder value, increased revenue base, strategic branding, operational efficiency, better access to capital, human and intellectual capital and lower business risk. CSR has emerged as an effective tool that synergizes the efforts of Corporate and the social sector towards sustainable growth and development of societal objectives at large.

## II. LITERATURE REVIEW

A number of research papers and articles provide a detailed insight on CSR activities of companies in different countries in various industries. The findings from the literature are presented below:-

Andre Nijhof (2008) conceptualized the extent to which partnerships with nongovernmental organizations (NGOs) are necessity for successful

efforts of business in the area of corporate social responsibility (CSR). The study revealed that based on three different strategies towards CSR, the suggestion is that NGOs tend to become involved in partnerships with companies that have an interest in postponing concrete results, while partnerships with companies that have the International Journal of Management (IJM), ISSN 0976 – 6502(Print), ISSN 0976 - 6510(Online), Volume 6, Issue 1, January (2015), pp. 05-18 © IAEME 10 Madhu Bala, “A Comparative Study of Methods of CSR Implementation In Indian Context” – (ICAM 2015) potential for the biggest contribution to the ambitions of NGOs have the highest risk of diminishing NGO-legitimacy. Terje I. Vaaland et. al. (2008) highlighted that CSR should be managed by a combination of handling unexpected episodes that threaten existing social responsibility (incident recovery) and the long-term reduction of gaps between stakeholder expectations and the company performance (CSR enforcement). Furthermore, it was suggested that CSR implies building and maintaining relationships with society through interplay between actors, resources and activities. Boston College Center for Corporate Citizenship (2009) also provided insights into the organization of CSR within large North American companies. The study confirmed that managing a company’s role in society is becoming a formal part of corporate structure and management, as many companies are internalizing CSR as a function of corporate departments and/or cross-departmental teams. The survey also reveals that departments dedicated to CSR are beginning to emerge. Studies thus point towards an increase in the formalization of CSR, made visible by the centralization of CSR activities in specialized departments. Hung Woanet. al. (2010) explored the most potent internal resources of a firm that contribute to the CSR agenda. The results implied that firms that are intent on being CSR-active should consider implementing the various management systems relevant for their businesses. Managers responsible for the CSR agenda might wish to highlight the fact that adherence to such systems actually contributes to the bottom line, thus minimizing resistance from decision-makers, who might view CSR as a costly initiative. Jeffrey Avina, (2011) argued that a structured approach of engagement to the private sector for CSR support is possible if public safety entities understand how to effectively involve private sector organizations in their work. This includes clear tangible asks with demonstrable returns and an eye to understanding what effective CSR encompasses from an outcome perspective but also from the perspective of what drives the

private sector to engage in CSR. David Katambaet. al. (2012) conducted a study to investigate how business enterprises in Uganda manage their corporate social responsibility (CSR) activities and projects. The findings showed unbalanced engagement in CSR for business managers in Uganda. Managers are largely motivated towards CSR by external factors such as attracting and retaining customers, enhancing reputation and operational efficiencies to achieve competitive advantage, rather than internal factors such as CSR policies, employee welfare and CSR reporting. Another significant finding was that the responsibility to initiate, administer, and monitor CSR activities are largely vested in middle-level managers. These factors pose many challenges to CSR implementation amongst managers in Uganda. Baumann-Pauly et al. (2013) studied how firm size affects the organization of CSR. Based on a comparative study of Swiss MNCs and SMEs, they argued that small firms possess several organizational characteristics that promote the implementation of CSR-related practices in core business functions, but, at the same time, constrain external communication and reporting. By contrast, MNCs possess characteristics that are favourable for promoting external communication and reporting, but, at the same time, constrain internal implementation. Arenas et al. (2013) suggested that it is important to examine the role of third parties in understanding collaboration between firms and civil society organizations. They analyzed the presence of third parties and their different roles to explain how collaboration is facilitated. Further Burchell and Cook (2013) examined the theoretical implications of the changing relationships between NGOs and businesses that have emerged as a response to the evolving agenda around CSR and sustainable development. They do so by focusing on a process of appropriation and co-optation of protest by the business community. International Journal of Management (IJM), ISSN 0976 – 6502(Print), ISSN 0976 - 6510(Online), Volume 6, Issue 1, January (2015), pp. 05-18 © IAEME 11 Madhu Bala, “A Comparative Study of Methods of CSR Implementation In Indian Context” – (ICAM 2015) Mohammad Safari Kahreh et al. (2013) investigated the CSFs (Critical success factors) for CSR implementation in Iranian banking sector. This study first provided a framework for CSR implementation in the banking sector. Based on the viewpoint of the experts of this research, 23 CSFs for CSR implementation were identified and then the importance of these CSFs was determined. All the identified CSFs were categorized into the five main sections of the organizational functional

areas. These functional areas include financial, marketing, environmental, strategic and human resources. Henry Ogiri Itotenaa et al. (2014) conducted a study for CSR policy making and implementation in developed countries. The study revealed that: voluntary CSR implementation and reporting; transparency; and execution of national policy statement on CSR, are the process indicators of CSR implementation in developed society. The results of this study could have policy implications for both executive and MPs of national governments in developed society for CSR regulatory policies. From above literature review, it is cleared that the companies across the world are involved in their CSR activities and trying to make their effort successful towards effective implementation of CSR. But it is evident that there is relative paucity of information in the literature with regards to Indian context. Through this exploratory study, we seek to partially fill this lacuna by identifying CSR activities implementation in Indian companies.

### III. METHODOLOGY

The aim of this study is to provide an overview of corporate social responsibility based on meaning, motives, forms, benefits, challenges and best practices. The study is based on both primary and secondary data. The secondary data is used for the theoretical framework of the study and primary data is used for the comparative analysis. The paper is the result of gathering and synthesizing of ideas from different studies on corporate social responsibility. It adopts a narrative approach but borrows few systematic review's traits. The papers used to frame this study were obtained from different publishers.. It has brought numerous benefits to both the business organization and the respective society despite the challenges facing its implementation. Despite its seemingly obvious benefits, the concept is still fuzzy since it is generally not clearly understood. However, an undeniable fact is that there should be a blend of key aspects of corporate social responsibility that will become a guiding tool for knowledge development, corporate decisions and policy development. It is within this context that this paper gives an overview of corporate social responsibility by synthesizing various literatures concerning its meaning, reasons for its creation, its forms, benefits, challenges and possible solutions.

### IV. DISCUSSION

Many business organizations have contributed greatly in the area of social responsibility. Associated Cement Company

(ACC) has been rendering social service for over three decades. It launched a village development scheme in 1952 and within next seven years it set up as many as 12 welfare centers in seven states. The idea was to make services of a company's technical hands freely available to the villagers for setting up schools, health centers, bunds, local countryside and agro based industries, and quality of rural life.

ELIN APPLIANCES PVT. LTD is an ISO 9001:2008 and ISO 14001:2004 certified company established in May, 2004 in Baddi, Himachal Pradesh has been awarded the CSR award in the category of SME Sector for manufacturing of Domestic Home Appliances for Philips Electronics Ltd CLS Division. Corporate by ASSOCHAM Social Responsibility (CSR) has always been an integral part of Elin's corporate policy. The company firmly believes in improving the quality of life of the workforce, their family and local community

The Mafatal Group follows a slightly different line in social performance. It spends a huge amount on rural welfare programs for helping the poor. It constructs homes for the homeless, providing drinking water, distribute books, stationary, and scholarship in rural areas. The group has also started a food for work programs in collaboration with the Gujarat Government to grow superior variety of fodder crops.

The Tata Iron and Steel Company (TISCO) is first organization to have carried out social audit of its performance. The committee was set up by TISCO which in its report praised TISCO'S social work. It also made a number of suggestions to the company with a view to improving its social welfare program.

Although CSR has gained emphasis in India, there are several issues challenging its effectiveness and reach. A lack of proper understanding of the concept of CSR, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. are some of the various challenges facing CSR initiatives. Absence of training and undeveloped staff is additional problems for reduced CSR initiatives. A survey conducted by Times Group survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country revealed. These are as follows:

- There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or



no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

- There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.
- Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is key to the success of any CSR initiative at the local level.

It is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels. 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 apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

## V. RESULT

These are some of the ways which may help the business in discharging its social responsibilities:

- Self education through a free, vigorous and fair press and local get-together of representatives of business, shareholders, workers and others.
- Legislations.

- Encouraging internal accountability by making mention of these responsibilities in the company's memorandum and establishing consumer's advisory councils and by providing for social audit.
- Shunning active participation in and direct identification with any political party.
- Rendering financial and technical help to municipalities, corporations and district boards.
- Supporting education, slum –clearance and similar other programs.

Discharging of social obligation cannot be one way traffic. It is necessarily a mutually interacting process where action produces reaction. Social responsibilities of business are not limited to only a liberal policy on the part of management and no obligation on the part of others. In order that a business may discharge its duties, workers and others must also discharge their duties social responsibilities. The worker's social responsibilities include doing a good days' work for a good days' wages, cooperating in increasing productivity and submitting to the discipline of business. The social responsibilities of the consumers are to resist high prices and exploitation in any form and to limit purchases of scarce essential goods. The state should try to avoid legislative uncertainty and statutory confusion which stifle the creation of a dynamic economy. It should develop such import and export policies which may result in creating a favorable balance of trade. Regional economic disparities should be set right through correct licensing policy.

PACS and Tata Trusts organized a workshop in Lucknow on 10 January 2017. The objective of the workshop was to facilitate partnership between the public, private and non-profit sector in Uttar Pradesh. The workshop was attended by representatives from the public sector, several corporate houses and civil society organizations. Some of the participating companies were: Tata Motors, Dalmia Group, Airtel, Tata Consultancy Services and Wipro. PACS and Tata Trusts also released a report of the joint study implemented through Sattva. The study, 'Uttar Pradesh: Forward Opportunities for Innovation and Partnerships for UP Development', highlights the current development scenario in Uttar Pradesh, and opportunities for development work in the state. Highlights from the study around key development issues like education, healthcare, farm and rural livelihoods, women empowerment, and skill development were presented.

## VI. SUGGESTIONS

In order to ensure that CSR is progressively contributing and benefiting, the following suggestions are given to make CSR initiatives more effective:

- It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective
- It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain.
- It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.
- The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution to CS initiatives .When compared to large corporations, SME play a limited role in CSR.SME have to be encouraged to positively contribute and reap the benefits of created by CSR .
- 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.

A long term perspective by organizations, which encompasses their commitment to both internal and external stakeholders, will be critical to the success of CSR and the ability of companies to deliver on the goals of their CSR strategy.

## VII. CONCLUSION

Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can be best implemented towards its goals–sustained environmental, social and economic growth. Today’s economic framework gives little encouragement for companies to consider the long-term – the essence of true sustainable development.

There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice. CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders, CSR has come a long way in India. It has successfully interwoven business with social inclusion and environment sustainability. From responsive activities to sustainable initiatives, corporate 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. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India’s social development on a faster track.

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