

## Corporate Social Responsibility in India – Introspection

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### Abstract

India is a developing economy where industries agriculture, telecom sector, infrastructure are at a developing stage. But after globalization which took place in the year 1991, when the Indian economy was opened up to the world economy and the international companies were allowed to do business in the country and invest in various sectors, the scenario of industrial development has seen a sea-change. When Multinational Companies are allowed by the government, there is bound to be drastic increase in the competition in domestic market.

Each company tries its level best to prove itself in the market. They work for profit maximization and profit maximization becomes the very basic for the organizations which are working in the country. But with the change in time and increase in the level of literacy rate, consumers become more and more aware and understand various things happening around them. With these changes another new concept emerges in the market which is called corporate social responsibility (CSR), and each company claims to follow this responsibility. In this paper we are going to analyze how this concept is working in India and to what extent companies are following it for social and economic growth of the country. It shall try to determine the significance of CSR; the activities corporate perform under CSR, its impacts and confluences.

**Keywords:** Corporate social responsibility; Globalization; Industrial growth

### Introduction

The 21<sup>st</sup> century is characterized by unprecedented challenges and scope, arising from LPG, the desire for inclusive development and the imperatives of change in the climate. Business in India, which is globally viewed as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers [1].

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. This is evident in some of the definitions presented below: The EC1 defines CSR as “the responsibility of enterprises for their society impact”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their shareholders.

“The WBCSD defines CSR as “the continuing commitment by business to contribute to development of economy while improving the quality of life of the workforce and their families as well as of the

community and society at large.”

According to the UNIDO “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic”[2].

Environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy.

### Objectives

- To know the status of corporate social responsibility in India
- To know the meaning and actual functional models of CSR
- To understand various policies which are governing in India
- To understand what are the various challenges faced by CSR in India
- To study how to increase the growth of CSR in India

### Research Methodology

Research paper is an explanatory research paper which is based on secondary data collected from various sources. Different books, articles and websites have been considered for the study.

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## CSR in India

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident was that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship [3].

As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropy, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even published CSR reports.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

The 2001 State of Corporate Responsibility in India Poll, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of four thinking approaches:

**Ethical model (1930-1950):** One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhi. Under this notion the businesses were motivated to manage their business entities as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socio-economic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

**Statist model (1950-1970s):** Under the aegis of Jawaharlal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

**Liberal model (1970s-1990s):** The model was encapsulated by Milton Friedman. As Perth model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which, through taxation and private charitable choices can be directed to social ends.

**Stakeholder model (1990-present):** The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to "triple bottom

line" approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework [4].

## AMWAY and UNICEF

Amway is one of the leading direct sales consumer based companies which is operating in 80 countries with over 3 million independent business owners (IBOs). It is a family owned business and it is directly related to various families of the world. The families which are purchasing products are happier than the partners of Amway – as a part of corporate social responsibility works with UNICEF for the welfare of the children. They work in improving and developing the lives of the children across the world.

As UNICEF (United Nations Children Fund) works in different countries for the children in terms of health, education and protection of the children across the world. This type of organization is totally dependent on the assistance provided by voluntary bodies.

And in this task of raising funds for the poor children, Amway is performing the task of corporate social responsibility. It has set an example that how a company can fulfill its social responsibility. In 2001, Amway decided to help UNICEF in raising funds for the poor children across the world. This activity was famous by the term One-by-One. In 2005 Amway raised funds for the Asian Tsunami disaster.

This has created a benchmark for various companies. In 2003, Amway launched one-by-one campaign for children to live a better life. The one-by-one program was:

- That company stands for the cause
- Builds trust and respect for the company
- Sets a high standard of CSR for various other companies

Amway always encourages its staff and IBOs to raise funds for the one-by-one social cause. Since 2001 Amway Europe has been the official partner of UNICEF. Amway used to raise funds from various sources like:

- Donation by various corporate houses
- Donation from the staff working in the company
- Donation from the IBOs
- Selling of UNICEF greeting cards

The reason for setting the example of Amway is that, without any governmental obligation this organization is on its own working for social cause worldwide and by doing this it has developed a trust among the consumers world over [5]. But in developing countries like India, the major setback is that majority of the companies lack in fulfilling the CSR. There are certain challenges that have been enumerated as reasons for the same:

## Challenges to CSR initiative in India

- **Community participation:** There is lack in community participation in the CSR activities as it has been seen that the communities that are going to benefit show less interest whenever the initiative is being taken by any company or organization.
- **Own benefit:** Generally corporate sector in India works for CSR only to save the taxes which are being levied by government on them because it has been noticed that the funds that corporates

will raise for the CSR activity will be categorized as tax free, so many corporates work on this premise.

- **Capacity building:** Many companies do not have skilled manpower and technical knowhow to develop effective CSR technique. This is required in terms to develop effective CSR policies and strategies. The expenditure that has been made on CSR is directly linked to the CSR policies which are being formulated.

- **Corporate social responsibility not only a concept:** Corporate sector should understand that CSR is not just a concept that they have to follow and contribute monetarily or in similar other ways, rather it should include social, environmental and economic factors and corporates have to look into it from the philanthropic point of view.

- **CSR review:** The policies which are being formulated and implemented must be evaluated in order to attain the desired result. The organization that has invested on CSR activity must analyze the impact of a particular CSR activity on the society or the targeted section. But in India the scenario is opaque. Companies spend money on CSR activities only for personal gains and publicity. The long term benefits of CSR are not taken into account.

- **Issue of transparency:** There is no governing body to check as to how much amount has been spent on CSR activities. Hence, no regulation, of any sort is available or lined.

## Suggestions

Companies can take up various issues happening in the society and work on that under CSR. Ideally, the companies should not and cannot work on CSR activities alone, if cooperation and contribution from employees is absent. Stakeholders should be encouraged to contribute in the promotion of CSR activities. Conferences, seminars, workshops and training sessions should be conducted by various companies in order to spread knowledge and awareness in this sector. It is also important to review the existing policies which are being laid by various companies and implementation must also be put in that way so that the desired result could be achieved.

Development of new civil society organizations with a social

purpose is called for. Such organizations will be dependent primarily on corporate rather than donor money, and be focused on particular issues, such as sanitation, clean water, child and maternal health and so on. Law makers have a responsibility to create the enabling conditions for such organizations to form and thrive, which draws us to our last point. The CSR clause in the Indian Companies Bill is unique, and the first for a big economy. Critics might see it as a 2 percent tax, but that will be the case only if we miss this golden opportunity to set a new model for how businesses can make a real contribution to society's critical problems [6].

## Conclusions

Corporate Social Responsibility is an emerging activity which is at the initial stage and will grow more in the coming times. Companies Bill which is a good initiative by the Government of India for various companies to allocate certain budget for this activity but it is unclear that how much amount has to be spent on this activity. On the international front, CSR has been accepted as an important concept for image building and for the successful conduction of the business.

But in India, it has to be taken up on a more serious note than a mere tax benefiting activity. The amount projected to be spent on CSR activities should be fixed by government. Social and environmental development programmes must be taken up by various companies as a part of this activity.

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