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## **CORPORATE SOCIAL RESPONSIBILITY IN INDIAN BUSINESS SCENARIO**

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### **ABSTRACT**

Globalization has influenced trade all over the world and companies are looked for new opportunities in doing business outside their home country. In the recent years the concept of Corporate Social Responsibility (CSR) has gained momentum and emerged as a new form of governance in business. It is already established in a global context, with international reference standards set by the United Nations, Organization for Economic Co-operation and Development (OECD) guidelines and International Labour Organization (ILO) conventions. With brand value and reputation increasingly are being considered as the most valuable assets of the company the CSR is one of the trust areas of the argue, CSR is now seen as building loyalty and trust amongst shareholders, employees and customers. CSR applies to a wide variety of company activities, especially in enterprises that operate multi-nationally in very different social and environmental settings. In this context, the Pros of CSR, Challenges and about the drivers which push the business towards achievement of organizational goals.

**Keywords:** Globalization, Corporate Social Responsibility, Brand value.

### **Introduction**

A growing body of evidence asserts that corporations can do well by doing well. Well-known companies have already proven that they can differentiate their brands and reputations as well as their products and services if they take responsibility for the well-being of the societies and environments in which they operate. These companies are practicing Corporate Social Responsibility (CSR) in a manner that generates significant returns to their businesses.

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business)<sup>[1]</sup> 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. 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 as stakeholders.



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 UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

### **CSR in India**

In developing economies like India, CSR is seen as part of corporate philanthropy in which corporations augment 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. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development

Another study conducted by Economic Times revealed that donations provided by listed companies grew by 8 per cent during the financial year 2008-2009 and that 760 companies donated US\$ 170 million in the same year, up from US\$ 156 million in the year-ago period. As many as 108 companies donated over US\$ 216,199, up 20 per cent over the previous year.

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.

## **Drivers Pushing Business towards CSR include**

### **1. The shrinking role of government**

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. 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**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

### **3. Increased customer interest**

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. 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**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. 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. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

### **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. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

## **Benefits Adopting A Policy of Social Responsibility include**

### **1. Company benefits:**

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.

### **2. Benefits to the community and the general public:**

- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

### **3. Environmental benefits:**

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;



- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

### **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' decision-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 undeveloped staff is 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. The more the open and honest disclosure, the stronger and trusting relationships can be built with the stakeholders and consumers.

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 lose 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 adequately.

### **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.

## Conclusion

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.

There have been criticisms of corporate social responsibility from ardent free trade capitalists and anti-globalization activists/environmentalists alike. The former often feels that anything getting in the way of profits is not a good idea, and that self-interest and pursuit of profit will ultimately lead to the market making these improvements anyway (the "hidden hand"). The latter often feels that companies are using this to repair tarnished images or otherwise paint a rosier picture of their practices while not addressing fundamental issues.

Many from these and other perspectives, however, are trying to make corporate behavior more responsible when it comes to ethics, working conditions, environmental sustainability, etc.

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