

## Corporate Social Responsibility: A Sustainable Development in India

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### Abstract

Corporate social responsibility (CSR) is gaining more and more importance day by day. CSR is not only drawing the corporate magnates into its circumference, but is also luring educationists, social activists, reformists, from all over the world to delve deeper into it. Each year, thousands of not-for-profit; social services; educational; health care; and environmental organizations make pitches to corporate entities to help partially or fully fund projects they deem are for the common good. The goal of CSR 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. The paper describes the CSR framework, trends and status of Corporate Social Responsibility in India. Corporate responsibility or sustainability is therefore a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management.

**Keywords:** Corporate Social Responsibility (CSR), Global corporate citizenship, Ethics.

### Introduction

In today's changing world, Corporate Social Responsibility (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice. Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979). As the world is shrinking due to globalization the concept of Corporate Social Responsibility (CSR) has acquired an undeniably high degree of relevance and scope in a large number of sectors. Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models. To understand and enhance current efforts, the most socially responsible organizations continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges.

Indian corporations, like those in other countries, have had a long tradition of being engaged in social activities that have gone beyond meeting a corporation's immediate financial objectives. However, since the late nineties, CSR activities have increasingly come under the lens both of policy makers as well as of corporations' stakeholders as governance issues acquired increasing prominence. At the policy level, the formal focus on CSR started in India with the issuance of the Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009) that

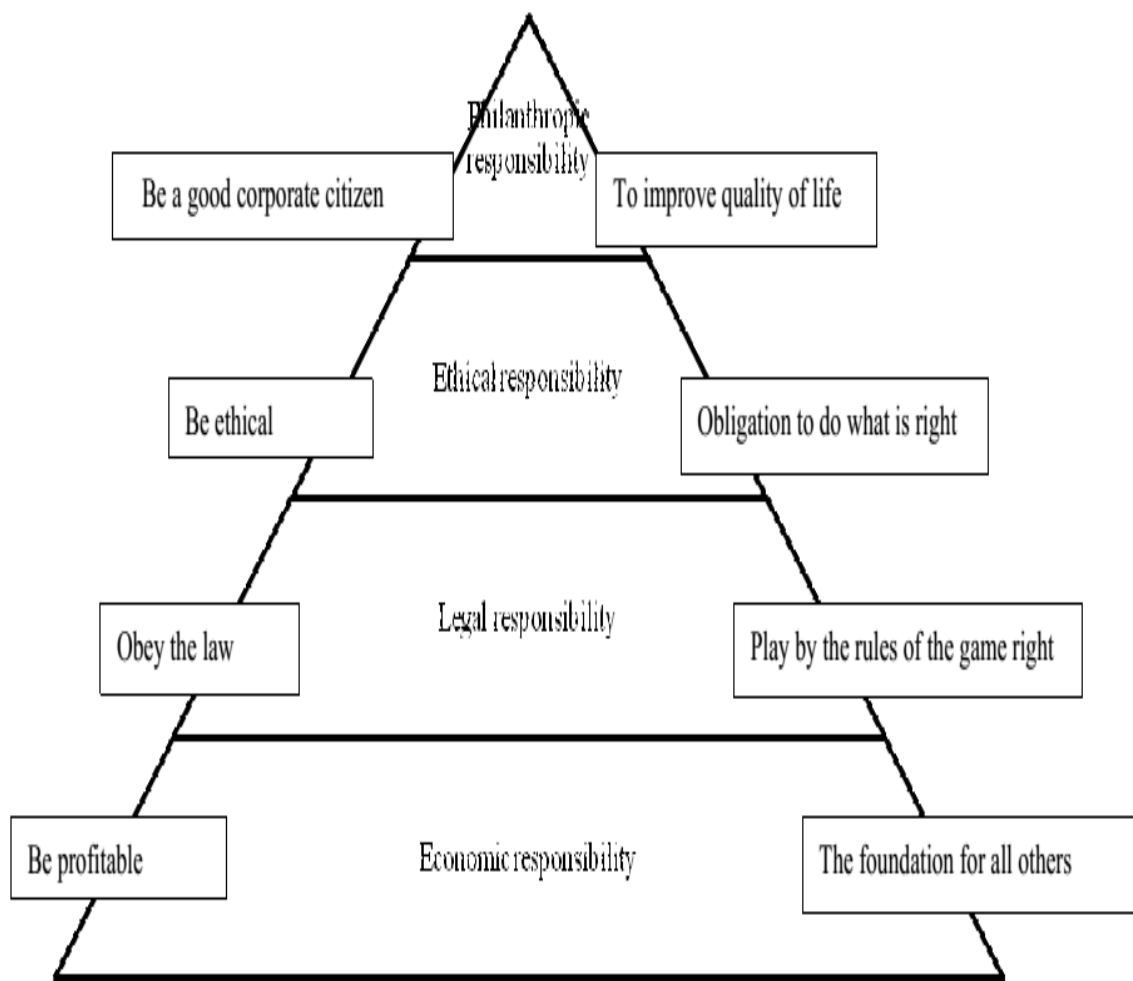
culminated in the enactment of Section 135 of the Companies Act 2013 (MCA, 2013) making CSR spending as well as CSR disclosure mandatory for specific types of companies. Significantly while CSR issues have been gaining in prominence across countries, India became the first country, and at the time this article is written, the only country It's been a little over a year since the Corporate Social Responsibility (CSR) law came into effect on April 1, 2014. Within such a short period, the entire landscape of CSR in India has taken a radical flight. Companies eligible under section 135 of the Companies Act 2013 have embraced the law and initiated a number of CSR projects across the entire spectrum as defined within schedule VII of the Act. Companies that traditionally undertook CSR anyway—with or without the law—needed to only streamline whatever spends they made. For these firms, the concern or need wasn't so much about increasing spends multi-fold, but rather a chance to review and re-strategise what they had already been doing in order to fit into the requirements of the law. This retrofitting also included the setting up of a formal committee of a voluntary working group. For other companies, the need was to look at massively multiplying their CSR spend as compared to what they were spending previously. Such companies did two things:

- a) Scaled up initiatives that they already had, replicating their solutions and benefits to a wider population
- b) Chose to look at new areas and pilot some initiatives in the first year.

This process has led to the rise of a new breed of leaders in the corporate landscape who are learning more about corporate social responsibility as part of the CSR committee and adapting themselves to not just complying with the law but also going beyond their comfort zone to streamline and assess what was until recently a cheque-book charity concept in their companies. As we sat down with these leaders over the past year, to discuss their concerns and understand what aspects are driving their long term CSR vision as well as the trends they see will emerge more clearly in the next 2-3 year, here were a few findings:

- 1. Impact** – Quantification and assessment of impact i.e. making a tangible effect has emerged important for every CSR leader. When being asked to spend a quantum of money as huge as 2 percent of profits, companies want to ensure they create impact that can be seen and talked about.
- 2. Partnerships** – With CSR reports for the first year now out and with dialogue and buzz being generated around the strategies, approaches and inclinations of various companies, there seems to be a strong alignment among the companies with each other's vision and priorities. They see the value that's in collaborative efforts and wish to leverage it to create a collective and sustained impact
- 3. Long-term projects** – With the law setting a recurring spend for firms year-after-year, companies envision owning up a cause and making it their CSR identity. They wish to establish long-term projects that not only serve the purpose of being a sink to their annual CSR funds but also establish a strong recall for their brand whenever a particular issue is talked about.
- 4. Employee engagement** – What was seen earlier as a prominent trend in the services sector has now begun to spread to the manufacturing sector as well? Companies have realised the value in engaging their employees in the conception and implementation of CSR programmes. With the law allowing for quantification of volunteering time, companies now actively seek modules of CSR that have employee involvement as a core feature.

There have been an increasing number of developments in the evolution of various aspects of the law—including accounting—which has seen the coming together of various different stakeholders trying to work together to make this law as effective and impactful as possible. In order to further showcase how the landscape has changed over the past one year and new ideas that CSR leaders are bringing to the table, we will sit down with ten inspiring leaders from across the country and bring their views and perceptions to you as part of our ‘CSR Leadership Series’. Once a month, we will present a new leader’s ideas and showcase their work as part of Company’s CSR for 2015-16.



**Figure1: The Pyramid of Corporate Social Responsibility (Carroll, 1991)**

### **Corporate Social Responsibility (CSR) Framework**

From the extensive literature review it has been determined that need of the hour is the development of CSR framework. So that companies can effectively channelize the available resources for social responsibility practices. Inputs for the development of CSR framework has been taken from the literature as study by Carroll (1991) helped us in determining the major contributors required for the development of CSR framework. According to Carroll’s CSR pyramid (1999), business should embrace economic, legal, ethical and philanthropic responsibilities. Study by Sharma and Kiran (2012b)

showed the importance of case studies for the development of framework. Study by Maon et al. (2009) suggests need for integrative framework of Corporate Social Responsibility design and implementation.

The literature provides a variety of views of researchers regarding CSR definitions and underlying dimensions (McWilliamset et al. 2006). Till now, there is no universally accepted definition, measurement scale, and a universal framework for the CSR concept, though some agreement exists on the potential positive impact (Branco and Rodrigues 2006; McWilliams et al. 2006; Smith 2003). What is needed is that firms must build their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run (Maon et al., 2009). Studies by Lewis (2003), Lichtentein et al. (2004), and Nielsen et al. (2009) suggested that society values, new business opportunities, reduced regulatory interventions, customer satisfaction, firms' reputation, and better stakeholder relationship are acting as different driving forces that are motivating business firms for the implementation of CSR initiatives. On the basis of above discussed literature survey, the CSR framework has been developed as shown in Figures 1 and 2.

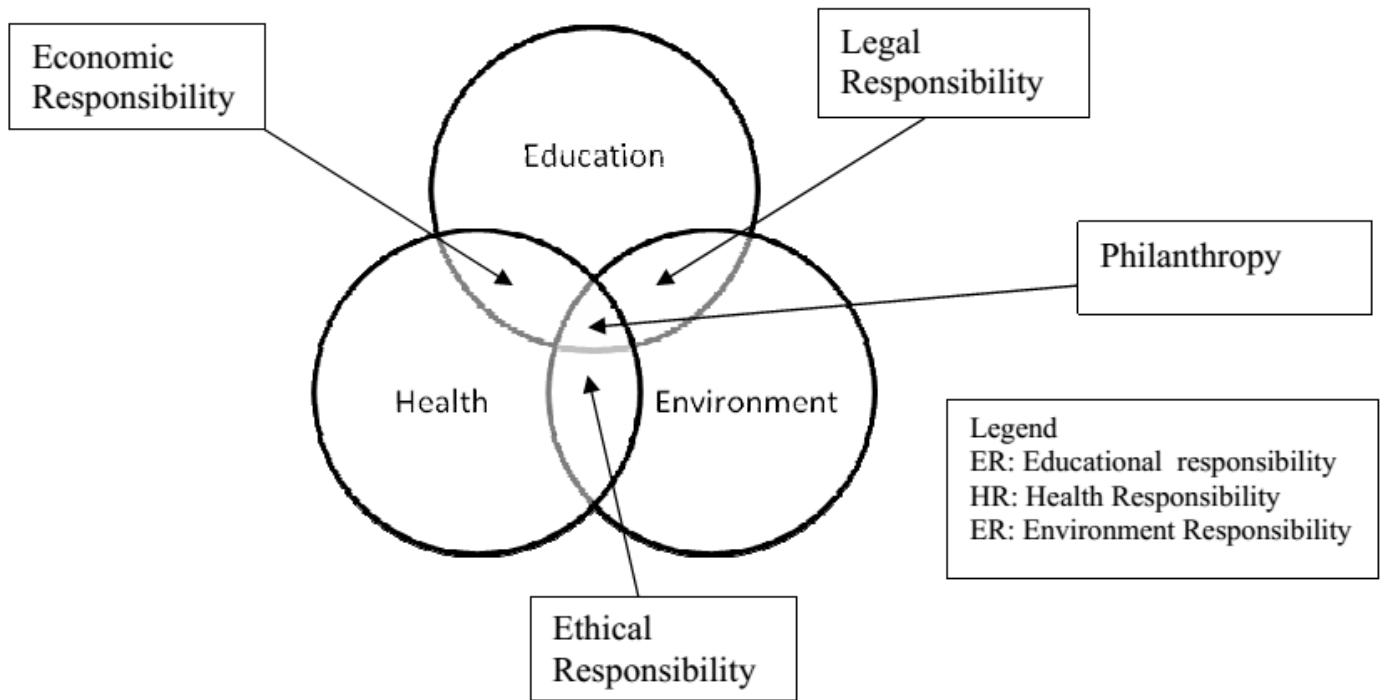


Figure 2: CSR model

This paper examined the evolution of policy framework parameters and found that, rather than evidence of a single form of CSR practices, the organizations have to diversify, for example previously the shift was from philanthropic practices to Carroll's social responsibility practices. Similarly with the changing world these social responsibility practices have to change according to the needs of the economy. The present study exhibits that both implicit and explicit CSR factors should be considered for a holistic approach as shown in the Figure1 Combination of four of Carroll's responsibilities, including education, health, and environment will help in the formulation and implementation of social responsibility practices. Extensive literature review revealed that support from authorities will lead to formulation of CSR practices in

the organizations. Figure 2 summarizes our findings on the relationships between explicit and implicit CSR, indicating the importance and requirement of different factors as co-existing within the framework.

The present paper proposes a distinction between theoretical approaches for implementation of the CSR practices by proposing a framework for social responsibility practices. Flow chart of twenty first century's perspective helps a lot in understanding the changing nature of CSR strategies. This is not to say that organizations' social responsible practices can be explained only through the notion of above mentioned social responsibility factors but the combination of these perspectives must be considered, along with Carol's model of social responsibility.

### OBJECTIVES

- To describe the Corporate Social Responsibility Framework.
- To study the trends and status of Corporate Social Responsibility in India.

### Trends of CSR in India

Table: Source: IJBMR

Phases	Period	Year	Nature of csr
First	Pre-industrialization	1800	CSR activities were undertaken in the form of philanthropy with religious belief
Second	Pre-industrialization	1800-1914	CSR activities were undertaken in the form of donations with social welfare objectives
Third	Industrialization	1950-1980	CSR activities were undertaken in the form of responsible behaviour with progressive approach
Fourth	Post industrialization	1980-until today	CSR activities are being performed in various forms by keeping in view multistakeholders benefit.

In India, in the pre independence era, the businesses which pioneered industrialisation along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were irregular activities of charity or philanthropy that was taken out of personal savings which neither belonged to the shareholders nor did it constitutes an integral part of business. The term CSR itself came in to common use in the early 1970s although it was hardly ever shortened. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it.

### Status of CSR in India

Over the years the concept of Corporate Social Responsibility (CSR) has gained unprecedented momentum in business and public debate and has become a strategic issue crossing the departmental boundaries, and affecting the way in which a company does business. It has become so important that many organizations in India have rebranded their core values to include social responsibility.

Business practices of big and successful companies, with plenty of resources at their end, have set the trend for being committed to sustainable practices. Such business houses around the globe show their commitment to social responsibility. In India, the initiatives of Dabur India Limited, for example, which commenced 'Sundesh' in 1993, a non-profit organization, with an aim to promote research and welfare activities in rural areas are appreciable. On the same track to fulfil its urge to do something for community, Bharat Petroleum Corporation Limited has adopted 37 villages as their responsibility to develop in all walks of life. It has made efforts to make them self-reliant, provided them fresh drinking water, sanitation facilities, medical facilities, vocational training and literacy camps. Around its industrial facilities, Tata Group has created towns and cities like Jamshedpur, Mithapur, Babrala for the benefit of its employees. Cadbury India, Glaxo and Richardson Hindustan are some of the companies which are helping farmers to grow crops which in turn shall serve as raw materials for them (Tripathi & Reddy, 2006). Given that Section 135 has been enacted and Rules for its implementation are in place, an evaluation of its prospects would have to be based on an understanding of the CSR behavior of Indian corporates in the pre-enactment period. While company level case studies on CSR abound, large sample studies are relatively few and are mainly cross-sectional in nature. This section supplements the existing analyses by empirically examining the CSR behavior of a panel of top 500 listed Indian corporates – based on March 2008 market capitalization – over a period of nine years, 2003-2011. The CSR analysis presented is based on a content analysis of the information contained in the Annual Reports of these companies. The content analysis involved identifying whether a corporate disclosed undertaking any CSR activity, and if so, the type of CSR engagement, and the amount spent on CSR. Referring to the discussion of the evolution of the regulatory framework in the preceding sections, it is apparent that the period of analysis chosen for the analysis coincides with the period when both CSR spending and CSR disclosures were voluntary. Thus, the CSR behavior of firms would reflect their true incentives to engage in CSR activities.

### **Sustainability and CSR trends for India in 2017**

2016 began with tremendous anticipation as the Paris agreement had been signed. While 2017 has not started with that much of a big bang there is hope that the landmark event of India ratifying the Paris accord in 2016 will bring in the much needed acceleration to India's sustainability journey. The trend of investors, consumers and governments requiring greater transparency from the private sector is nothing new, but today, business are becoming proactive and trying to de-risk themselves from charges of negligence. Threats to companies are coming from all directions. On one side are environmental factors such as absence of water or key materials that affect production. On the other side social factors such as human rights, liveable wages, working conditions, economic inequality and other issues are raising their head. As a result, social and environmental issues, once seen as separate, are coming together inside some companies.

The coming year will present an opportunity for companies to align efforts around intergovernmental initiatives such as COP21. Additionally, frameworks such as the Sustainable Development Goals (SDGs) will put increasing pressure around very specific targets.

### **Here are some sustainability trends to look out for in 2017.**

#### **1. The push for a cleaner environment**

When the Swachh Bharat Abhiyaan was launched 3 years back, many viewed it with skepticism. Whether it can be deemed a success or not, no one really knows at the moment, but one thing is for sure, it has brought the discourse on

cleanliness to the mainstream. 39% of companies we studied have allocated funds to this campaign and built toilets or helped in cleaning up of public spaces. Major newspapers now allocate space to the need to build public toilets, garbage burning, littered roads and even large public events that cause environmental damage and filth. In part, this has also been led by larger public awareness due to health hazards of water and air pollution.

*2017 will see companies launching customer facing initiatives, as well as products and services that fulfil the promise of cleanliness and environmental friendliness.*

## **2. CSR as strategy and not charity**

Corporate India is finally realising that the short term approach of writing a cheque for the CEO's favourite charity is not prudent any more. Since CSR investments need appropriate disclosure and need to be done every year 2016 saw many companies holding back CSR funds if they didn't find appropriate projects. Less than 4% of CSR funds spent by top Indian corporates was given as charity as per our study. Companies are now looking at methods to add strategic brand value through these investments even if these are not directly related to the business they are in, as required by law.

*2017 will see companies asking NGOs for stringent reporting on existing projects and pooling of resources amongst top corporates to build greater impact.*

## **3. ZERO IMPACT moves to NET POSITIVE**

Most companies are moving towards creating sustainable growth models in different ways. As manufacturing companies explore the interlinkages of supply chains it is evident that waste, water, energy and materials are closely linked to business continuity. There is a growing realization that growth without adversely impacting the environment is now an expected goal. Forward looking companies like Ambuja Cement, ITC, Dalmia Bharat, etc., are talking of being water positive several times over.

*2017 will see more companies building deeper corporate sustainability strategies which will seek to external impacts and not just mitigate internal impacts.*

## **4. Water begins to take centre stage**

Droughts and water shortages in one area and extreme floods in other parts were part of the ongoing discourse around Indian cities and villages in 2016. Companies have had to increasingly gear up to the challenges this has posed. From stopping operations and facing large scale damage in flooded areas to sourcing water trucks for employees and regular manufacturing operations, water is now becoming a significant risk factor. Water is now one of the highest global risks, according to the ninth edition of the Global Risk Report, released in early 2014 by the World Economic Forum. Corporate sustainability reports, are now speaking of water at two levels – as part of CSR initiatives for communities and as part of company operations.

*2017 will bring more discussions and corporate initiatives around water management, measurement and above all water valuation.*

## **5. Renewables gathers momentum**

With the Paris accord in play, companies will need to pitch in, in a significant manner for India to achieve the NDC (nationally determined commitment) of emission cuts by 33-35%. Hence it is expected that companies would focus more and more on renewables with a strong focus on solar, bio fuels and wind. Off the grid energy systems are likely to provide

succour to remote areas, which remain deprived of electricity supply. This is likely to gain strength with developments in energy storage. Improved storage will also help corporations move towards renewable energy for their own consumption. Corporations will increasingly engage with the government in policy making and contribute towards an effective public-private partnership on renewables.

***2017 will see integration of renewable energy in corporate portfolio gaining greater traction.***

### **Conclusion**

Business houses in India are increasing in realizing their stake in the society and engaging in various social and environmental activities. CSR holds a very important place in the development scenario of India today and can create as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. Firms have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. So that, we can contribute to make better planet to live in.

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