

CORPORATE SOCIAL RESPONSIBILITY- A BOON OR BANE FOR CORPORATE IN INDIAN SCENARIO

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ABSTRACT

It has been very well understood by organizations that govt. alone will not be able to succeed in its endeavour to uplift the unprivileged society. Corporate Social Responsibility (CSR in this paper) has supported the myth that the ultimate goal is not profit making, it should be rather trust building is viable and assert able with societal relationship and only long term survival mantra for any organization. The purpose of this paper is to provide a general summary of the CSR in India like the concept along with benefits, issues and challenges. It's an attempt to provide light on CSR of Indian organizations which would be helpful for both economic and social interest. This article is purely based on the secondary data and tries to focuses on the findings & reviewing of the issues and challenges faced by Indian organizations with respect to CSR.

Keywords: *Corporate Social Responsibility (CSR), societal relationship, issues, benefits.*

INTRODUCTION

The significance of corporate entities in economic development of a nation cannot be undermined. Corporations create employment, thereby strengthening the financial standards of families of their employees who go on to spend on goods and services produced in the market at large. This leads to a dynamic, vibrant economy which enables overall national growth. Therefore, for a long time, it has been believed that the basic responsibility of business enterprises is to safeguard the interests of their shareholders through earning a reasonable return on their investments (Friedman, 1970). However, in the prevailing scenario of global competition, the business leaders all over the world have time and again been engrossed in the desire to maximise the value created for shareholders overlooking other aspects of their business environment. The environmental disasters created by various industrial units in recent past also indicate that the logic of ensuring ever increasing profits by

the business in the name of fulfilling its economic responsibilities can no longer be accepted by the society as it hurts the basic interests of citizens in the long run.

The business and society share an interdependent relationship (Lawrence and Weber, 2010) whereby the society is affected by business and vice versa. Thus the relationship between companies and civil society in recent years has been redefined with a noteworthy shift in moving from business attitude of paternalistic philanthropy to accepting its environmental, ethical and social responsibilities, which is usually abbreviated as corporate social responsibility (CSR). The evolution of the concept of CSR has been attempted to document by numerous studies across the world (Ramasamy and Yeung, 2008). Well discussed and established in developed countries, CSR is also being increasingly explored and researched in developing countries (Alon et al., 2010; Kansal and Singh, 2012; Yelena, 2012).

The majority of studies seem to be of exploratory nature focused on understanding of CSR and strategic CSR by different stakeholders (Bhattacharyya, 2010; Azmat and Zutshi, 2012). However, in order to reach a consensus the framework of CSR needs to be confirmed across the contexts such as geographical, markets and industries. This was the core idea behind conceptualising this study, i.e. ascertaining the nature and relevance of CSR in specific industries and geographies.

REVIEW OF LITERATURE

The very basic of a firm's responsibility is economic nature (Pinkston and Carroll, 1996), so its primary obligation is to operate at a profit and to —legitimately pursue" growth and to provide society with goods and services at "fair price" (Pinkston and Carroll, 1996). The CSR pyramid is based on four-part perspectives, namely Economic, Legal, Ethical and Philanthropic standpoint (Table A). Four-part conceptualization of CSR includes the —ideal that the corporation has not only economic and legal obligations, but ethical and discretionary responsibility as well (Carroll, 1991). It is during the recent years that ethical and philanthropic functions have taken a more important role.

The awareness and participation in CSR in India can be seen as both voluntary and by the external pressure from government and society (Mohan, 2001). The recent years have witnessed an increased awareness of CSR among business community in India resulting in more documentation of CSR initiatives (Shinde, 2005; Gautam and Singh, 2010). Tata Group was first to take initiatives and introduce CSR in their business policies (Gupta, 2007) and

their contribution towards welfare programmes has resulted in maintaining cordial relations with labour unions and other stakeholders.

(Table A)

Economic Component	Legal Component	Ethical Component	Philanthropic Component
<ul style="list-style-type: none"> • It is important to perform in a manner consistent with maximizing earnings per shareholder. • It is important to be committed to being as profitable as possible. • It is important to maintain a strong competitive position. • It is important to maintain a high level of operating efficiency 	<ul style="list-style-type: none"> • It is important to comply with various federal, state and local regulations. • It is important to provide goods and services that at least meet minimal legal requirements. • It is important that a successful firm be defined as one that fulfils its legal obligations is consistently profitable. 	<ul style="list-style-type: none"> • It is important to perform in a manner consistent with expectations of societal mores and ethical norms. • It is important to prevent ethical norms from being compromised in order to achieve corporate goals. • It is important that good corporate citizenship be defined as doing what is expected morally or ethically. • It is important to recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations. 	<ul style="list-style-type: none"> • It is important to perform in a manner consistent with the philanthropic and charitable expectations of society • It is important that managers and employees participate in voluntary and charitable activities within their local communities • It is important to voluntarily assist those projects that enhance a community's —quality of life

In India, like other developing nations the drivers of CSR are both internal and external. Baxi and Prasad (2009) identify globalisation and competition, growing influence and size of corporations, retrenchment or repositioning of government and its roles, war for talent,

competing for expertise, growth of global civil society activism, increased importance of intangible assets as CSR drivers.

OBJECTIVES

- To explore the advantages and disadvantages of practising CSR
- To explore the real scenario of CSR practising in Indian context over the last decade

RESEARCH METHODOLOGY

As per requirements of the objectives of the study the research design employed is descriptive as the research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Journals, news articles, books and reports were used.

RESULTS AND DISCUSSION

Advantages of CSR

Corporate have experienced a range of bottom line benefits, which include -

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| 1. Improved financial performance | 4. Increased ability to attract and retain employees. |
| 2. Enhanced brand image & reputation | 5. Reduced regulatory oversight |
| 3. Increased sales and customer loyalty | 6. Easier access to capital |

CSR should not be viewed as a mere expense to a company. It translates into long term financial performance, better business environment and stake holder confidence.

(Prasad, 2015) states the following advantages of CSR for any corporation:

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| 1. Improved financial performance; | 6. More ability to attract and retain employees; |
| 2. Lower operating costs; | 7. Reduced regulatory oversight; |
| 3. Enhanced brand image and reputation; | 8. Access to capital; |
| 4. Increased sales and customer loyalty; | 9. Workforce diversity; |
| 5. Greater productivity and quality; | 10. Product safety and decreased liability |

(Berad, 2011) in his study found that transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time. Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

Company Benefits	Benefits to the Community and the General Public	Environmental Benefits
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Charitable contributions; • Employee volunteer programs; • Corporate involvement in community education, employment and homelessness programs; • Product safety and quality. 	<ul style="list-style-type: none"> • 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.

Disadvantages and Issues of CSR

Sivaranjini, Rekha and Nisha in their study identified following disadvantages of CSR:

- Work environments can be frustrating- From antiquated technology to bureaucratic red tape, working at a non-profit can be downright exasperating. Employees are asked to do more work with fewer resources, create miracles on a daily basis, and satisfy competing interests. The pace of change is often slower than it is in a for-profit environment, given that so many opinions must be considered and the bottom line is not as clear.
- The level of burnout is high- Those who enter the non-profit workforce with a specific mission and goal in mind do so with great purpose. This great purpose often places a heavy weight on the shoulders of those doing the work.

- The stakes are higher- A bad day in a corporate job is unlikely to resemble a bad day in a non-profit job. Consider the difference between losing a few percent off your stock price and losing a mentored young person to drugs. The stakes are simply higher when you are dealing with a cause close to your heart.
- There is a constant focus on fundraising-Non-profit executives wake up every morning and go to bed every night worrying about the location of their next fundraised dollar. This constant pressure leads to certain internal issues going unaddressed until a crisis emerges, takes the chief executive away from the office for long periods of time, and can lend itself to mission drift.

Issues and Challenges of CSR, as identified by (Maan, 2014)

Lack Of Awareness Of General Public In CSR Activities	Non-Availability Of Well Organized Non-Governmental Organizations
Issues of Transparency	Need to Build Local Capacities
Visibility Factor	Narrow Perception towards CSR Initiatives
Non-Availability of Clear CSR Guidelines	Lack of Consensus on Implementing CSR Issues

CSR scenario in 2003

<p>· Approximately 57 % of the responding companies, have a formally adopted "ethics code" while only one-third of the companies have an "Ethics Officer" or "Ethics Counsellor".</p>	<p>· Large proportion of the responding companies are active in the areas of Education / Training(80 %), Healthcare (66 %), Environment (60 %), Welfare of underprivileged sections (57 %) and Rural development (23%).</p>
<p>· Two surprising results as far areas of activity is concerned are: 1) None of the responding companies have said they are doing anything in the areas of religion and/or Spiritual development. 2) Less than 50 % of the companies have done anything during natural / other calamities.</p>	<p>· One third of the responding companies have shared the information regarding the actual monetary expenditures incurred. For these companies actual/authorised expenditure has varied between 1 % to 12 % of Net Profits/ Profits after Tax (PAT). Another 40 % of the responding companies have not shared the expenditure information</p>

	<p>and have mentioned that there is no authorisation or limits as such and expenditure tends to be ad hoc in nature.</p>
<ul style="list-style-type: none"> In the context of decision making process, more than one-third of the companies have institutionalised the process through specially constituted committees or Board of Trustees (in case if the activity is undertaken through trusts created for the purpose). An additional 40 % of the sample companies have mentioned that the CMD or the Chief Operating Officers have been authorised to take the decisions in this respect. 	<ul style="list-style-type: none"> Four distinct implementation strategies have been identified and companies seem to have adopted more than one strategy. Most frequently adopted strategy has been making monetary contributions, the second most popular one collaborating with other government semi-government and voluntary organisations. Very few companies have an in – house department for CSR activities, even fewer seem to involve their employees in the effort.

[Source: Corporate Social Responsibility Initiatives of NSE Nifty Companies (CSR Report, 2003)]

CSR scenario in 2016-17

<ul style="list-style-type: none"> Only the Top 33% companies believe in taking the long term view on responsible business. There is now a shift towards a more responsible form of growth because taking a long term view of sustainability and social responsibility is creating long term competitive advantages and helping in managing risks. Disclosures are poor as sustainability reporting is inadequate. Disclosures were poor in general because sustainability reporting was weak, 	<ul style="list-style-type: none"> Governance for business responsibility sees improvement. Governance was in general good across both manufacturing and service industries, except for policy on biodiversity and participation in global agreements. Albeit manufacturing companies had higher participation in both these parameters relative to service industries, the average proportions were still poor at 27% and 35% respectively, signifying huge scope for improvement.
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<p>especially in manufacturing industries. Since the reporting was weak, external certification and disclosures of material risks was poor.</p> <ul style="list-style-type: none"> • Companies look at long term projects and not charity 32% companies spent 2% and more in 2014-15 on CSR activities, higher than 18% in the previous year of study. Further 33% companies spent between 1% and 2% of their average PAT. And remaining 35% companies had a CSR spend of less than 1% of their average PAT. • Aggregate CSR spend for 173 companies in 2014-15 were Rs. 5752 cr. with an average spend of Rs. 33.25 cr. per company. This translated into an average CSR spend as a percentage of average PAT of 1.4%, which is lower than the Government mandate of 2% and more. • Emissions disclosure needs more focus. Only 36% (38% in previous year) of India's top ~200 companies disclosed data on GHG emissions while 54% participated in carbon specific initiatives such as Carbon Disclosure Project (CDP). The reporting on GHG emissions from operations continued to be below 50%, though manufacturing companies outpaced service companies (40% vs. 30%). Some key carbon specific initiatives that companies participated in were: 	<ul style="list-style-type: none"> • Sustainability is at the heart of high performing companies. • Top performing companies have increased their focus on sustainability and also deepened current efforts around reduction of emissions, climate change, waste management, water and energy. 47% companies had higher sustainability scores (YOY), 34% remained the same and 19% witnessed decline. • Government push makes corporate India step up. The Companies Act of 2013 and several government initiatives have pushed companies to work in relevant areas. Improved compliance on account of spending requirements, CSR committee requirements, reporting requirements etc. • Swachh Bharat – The mission has been taken up by companies across the country with some success. About 39% of the companies surveyed have a focus on Swachh Bharat – primarily focused on construction of toilets. Solar – The push toward renewable has been another focus area for the government. We find that 59% of the companies surveyed work in the areas of solar energy. Energy and Materials try to mitigate the impact on the external world through a business responsibility focus • Companies in the energy and materials sector dominate performance across the
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<ul style="list-style-type: none"> • CDP (70% IT companies), • GHG accounting & inventory (67% Energy companies), • Clean Development Mechanism • CDM (67% Utilities companies) • Carbon specific financial indices (80% Telecom companies). 	<p>parameters of governance, disclosure, stakeholders and sustainability. Given the inherent nature of their business – requiring focus on communities and managing adverse environmental impacts – it is no surprise that they put in significant effort.</p>
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[Source:<https://blogs.economicstimes.indiatimes.com/ResponsibleFuture/gearing-up-for-responsible-growth-indias-top-companies-for-sustainability-and-csr-2016/>]

CONCLUSION

In earlier times, a CSR activity of any organisation usually meant donations and charity events. However, in this study it was found that today corporations are increasingly taking CSR as an integral part of their activities. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporate feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

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