



Essence of CSR In Modern Society

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Abstract

The entirety of CSR can be discerned from the three words this phrase contains: corporate, social, and responsibility. CSR covers the relationship between corporations (or other large organizations) and the societies with which they interact. CSR also includes the responsibilities that are inherent on both sides of these relationships. CSR defines society in its widest sense and on many levels, to include all stakeholder and constituent groups that maintain an ongoing interest in the organization's operations. Society acts as fertilizer for business to grow, right from providing a ground till flourishing it successfully .The concept of corporate social responsibilities originated in the year 1950 in USA. Corporate social responsibility is not a difficult concept and can be explained as Corporate – means organized business, Social - means everything dealing with the people, Responsibility - means accountability between the two. The term corporate social responsibility (CSR) what is generally understood is that business has an obligation to society that extends beyond its obligation to its shareholders or owners. The philosophy is basically to give back to the society, what it has taken from it, during profit maximization and wealth creation it could take the form of community relationship, volunteers assistance programmes, healthcare initiatives, special education, training programme and scholarship, preservation of cultural heritage and environment etc. CSR also called as CR or corporate citizenship and responsible business CSR is a concept whereby it considers the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities, and other stakeholders and the environment. There is no single commonly accepted definition of corporate social responsibility but the following US-UK tradition it can be defined as “Corporate social responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business. ‘In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realise the fact that in order to gain strategic initiative and to ensure continued existence, business practises may have to be moulded

from the normal practise of solely focussing on profits to factor in public goodwill and responsible business etiquettes(Reynard and Forstater, 2002).

Key words:- Corporate Social Responsibility, Stakeholder Theory, Corporate Citizenship, Corporate Best Practices

Introduction

In today's global environment, Corporate Social Responsibility (CSR) has gained significance as it entails that business is more than just profit seeking entity and has also an obligation to benefit society. CSR is basically institutionalized philanthropy that enables the business houses to discharge their social responsibilities. The business support to the community and other stakeholders acts favorably for the business houses. Companies do well if their workers are happy; companies do better if the stakeholders are taken into confidence; and companies do best if there is political stability which is possible if the stakeholders are persuaded to believe that the former are committed to fulfilling their social goals by seriously pursuing welfare measures. Corporate Social Responsibility (CSR) can be understood as the initiative of a company to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term, generally, applies to company's efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility 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.

- **The goal of CSR**

Its to embrace responsibility for the company's action 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 also known as

- (i) Corporate Citizenship
- (ii) Corporate Sustainability
- (iii) Corporate Responsibility

Thus, despite many definitions and different names, at the core they all point towards same fundamental principle, i.e., a company is responsible for providing more benefits than just profits for shareholders. It has a role to play in developing sound corporate governance, fostering human rights, respecting cultural differences and promoting fair trade. CSR is about managing the impacts on society and stakeholders of a organisation's operations, processes, behaviour, etc. Guide on Corporate Social Responsibility Audit Typically this means an organisation's Social, Ethical and Environmental (SEE) activities in the wider world. The three pillars of CSR are:

- I. Environment,
- II. Society and
- III. Commerce

Together, these create long-term sustainable development.

- **Definition Of CSR**

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

▪ **World Business Council for Sustainable Development**

Corporate Social Responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society. Its a set of management practices that ensure that the company minimizes the negative impacts of its operations on society while maximizing its positive impacts.

▪ **Dimensions of Corporate Social Responsibility:**

(i) **Corporate social responsibility: the internal dimension**

Within the company, socially responsible practices primarily involve employees and relate to issues such as, investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production. They open a way of managing change and reconciling social development with improved competitiveness.

(ii) **Corporate social responsibility: the external dimension**

Corporate social responsibility extends beyond the doors of the company into the local community and involves a wide range of stakeholders, in addition to employees and shareholders, business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. In a world of multinational investment and global supply chains, corporate social responsibility must also extend beyond the borders of the country. Rapid globalisation has encouraged discussion of the role and development of global governance, the development of voluntary CSR practices can be seen as contributing to this aspect.

▪ **History of Emergence of CSR**

Through the twentieth century, corporate social responsibility (CSR) developed both as managerial idea as well as academic concept. From a managerial view point 'social responsibility, ideology emerged in 1800's. It is to a large extent a by-product of the broader movement of managerial professionalization. The phrase Corporate Social Responsibility was coined in 1953 with the publication of "Bowen's Social Responsibility of Businessmen" (Corporate watch report, 2006). The evolution of CSR is as old as trade and Business for any of corporation. Industrialization and impact of business on the society led to completely new vision. By 80's and 90's academic CSR was taken into discussion. The first company to implement CSR was Shell in 1998. (Corporate watch report , 2006). The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. CSR is titled to aid an organization 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 also known as ISO SR is the

recognized international standard for CSR. In today's global environment, CSR has gained significance.

▪ **Need For CSR**

While the interests of shareholders and the actions of managers of any business enterprise have to be governed by the laws of economics, requiring an adequate financial return on investments made, in reality the operations of an enterprise need to be driven by a much larger set of objectives that are today being defined under the term CSR. The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. A business cannot succeed in a society which fails. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, customers of any product or service are unlikely to feel satisfied in buying from an organization that is seen to violate the expectations of what is deemed to be ethically and socially responsible behaviour. It is becoming increasingly evident that organizations that pay genuine attention to the principles of socially responsible behaviour are also finding favour with the public and are the preferred choice for their goods and services.



Figure 1: Areas of Corporate Social Responsibility

▪ **All Pervasiveness of CSR**

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

Corporate social responsibility is one of the pillars of Business Excellence (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) 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, government, union, media, employees, customers, local communities, stake holders, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

▪ **Company's Bill 2011 for CSR**

The CSR provisions as per clause 135 of the Companies Bill, 2011 are as follows:

- (i) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
- (ii) At least 2% of average net profits of the previous three years will have to be spent on corporate social responsibility activities with disclosure to shareholders about the policy adopted in the process, giving reasons on failure of implementation.
- (iii) The Corporate Social Responsibility Committee shall :
 - (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - (b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a), and
 - (c) Monitor the Corporate Social Responsibility Policy of the company from time to time.
- (iv) If the company fails to spend the specified amount on corporate social responsibility activities, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

▪ **Schedule VII of The Companies Bill, 2011**

Schedule VII of The Companies Bill, 2011, lays down Activities which may be included by companies in their Corporate Social Responsibility Policies. It includes Activities relating to:—

- (i) Eradicating extreme hunger and poverty.
- (ii) Promotion of education.
- (iii) Promoting gender equality and empowering women.
- (iv) Reducing child mortality and improving maternal health.
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.

- (vi) Ensuring environmental sustainability.
- (vii) Employment enhancing vocational skills.
- (viii) Social business projects.
- (ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for Socio-economic development and relief and funds for the welfare of CSR — Indian Scenario the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- (x) Such other matters as may be prescribed.

▪ **Duties of the Committee as per Clause 135**

Following are the duties of the committee as per clause 135:

- (i) The main role of the committee is to formulate and recommend to the Board a Corporate Social Responsibility Policy which should indicate the activities to be undertaken by the company.
- (ii) The Committee has to also recommend the quantum of expenditure to be incurred on these activities.
- (iii) The Committee has to monitor the Corporate Social Responsibility Policy of the company from time to time.

▪ **International Organization for Standardization of CSR - ISO 26000**

The International Organization for Standardization (ISO) has launched an International Standard providing guidelines for social responsibility named ISO 26000 or simply ISO SR and was released on 1 November, 2010. This standard offers guidance on socially responsible behavior and possible actions.

- (i) ISO 26000:2010 provides guidance to all types of organizations, regardless of their size or location on: Concepts, terms and definitions related to social responsibility.
- (ii) The background, trends and characteristics of social responsibility.
- (iii) Principles and practices relating to social responsibility.
- (iv) The core subjects and issues of social responsibility.
- (v) Integrating, implementing and promoting socially responsible behavior throughout the organization and, through its policies and practices, within its sphere of influence.
- (vi) Identifying and engaging with stakeholders.

▪ **CSR Reporting**

Some organizations follow a "Triple Bottom Line" reporting strategy, which covers Economic, Environmental and Social Responsibility. Internationally, this theme is prevalent in mining, forestry and oil companies, where the environment has been an important focus of governments and communities. These organizations may also refer to CSR as Sustainable Development, because their focus on the environment is so strong. Depending on the organizations risk profile, globalization and maturity, it may include some or all of the following elements within CSR objectives: Ethics , Transparency, Environment ,Health and Safety , Corporate Governance ,Human Rights , Community Investment. Business Responsibility Reporting Framework has been given in "The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011" by Ministry of Corporate Affairs. The Guidelines encompass Nine Principles and related Core Elements which identify the areas where responsible practices need to be adopted. The Reporting Framework provides a standard disclosure template which can

be used by businesses to report on their performance in the above mentioned areas. The objective of the Business Responsibility (BR) Framework is to help businesses to reach out to their stakeholders with necessary information and data demonstrating the adoption of these Guidelines. In the context of BR reporting, it is appreciated that there are three categories of businesses as under and the Reporting Framework, accordingly, suggests different approaches that may be adopted.

KPMG-CSR survey has presented a range of motivating factors and drivers for CSR which are discussed in table 1 as below

Drivers	Priority in (%)
Economic Considerations	74
Ethical Consideration	53
Innovations and Learning	53
Employee Motivation	47
Risk Management or risk reduction	47
Access to capital or increased shareholder value	39
Reputation or brand	27
Market share improvement	21
Strengthened supplier relations	13
Cost saving	9
Improved relationship with governmental authorities	9
Others	11

Source: Data Taken From – KPMG International. KPMG Surveys Of Corporate Responsibility Reporting 2005.

▪ **Nature of Corporations and their Objectives**

Corporate Social Responsibility recognises that business firms have not one but many different kinds of responsibility, including economic and legal responsibility.

Corporate Social Responsibility in the Context of the Stakeholder Theory

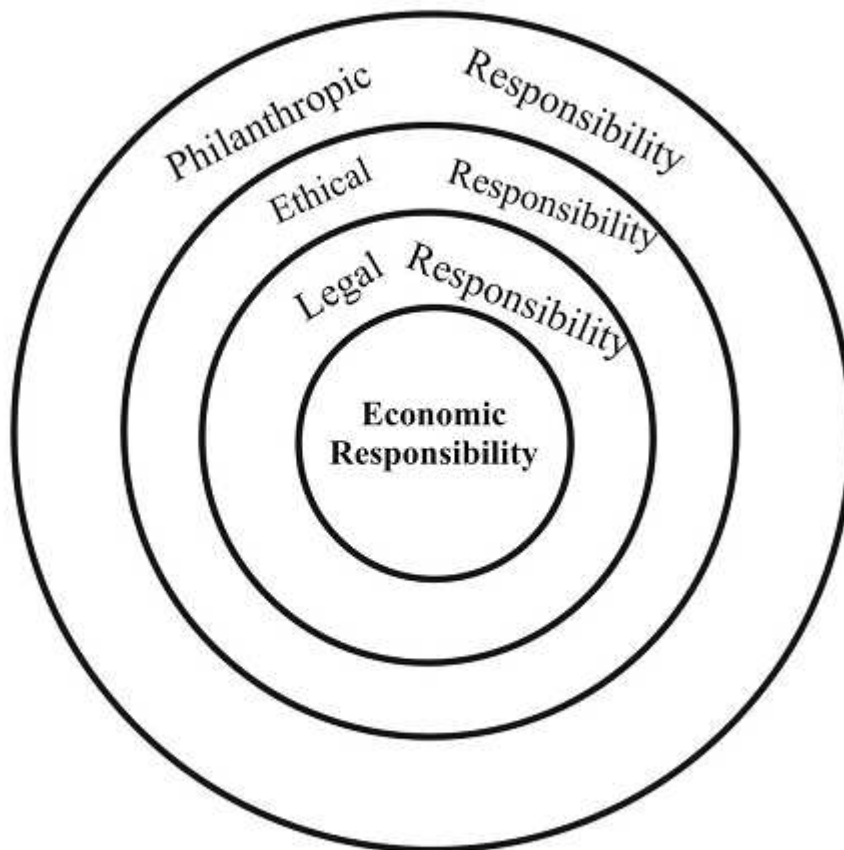


Fig. 2 Concentric circles of social responsibility

1. Economic Responsibility

(a) To produce goods and services and to provide jobs and good wages to the work force while earning a profit.

(b) Obligation to seek out the suppliers of raw materials, to discover new resources, technological improvements and to develop new products.

2. Legal Responsibilities

(a) To act as a fiduciary, managing the assets of a corporation in the interest of share holders.

(b) Numerous responsibilities to employees, customers, suppliers and others legally.

The concept of CSR is expressed as a voluntary assumption of responsibilities that go beyond the economic and legal responsibilities of business firms.

The exercise of social responsibility must be in consistent with the corporate objective of earning a satisfactory level of profit. It implies a willingness to forego a certain measure of profit in order to achieve non- economic aids.

3. Ethical Responsibilities:

(a) Additional behaviors and activities that are not necessarily codified into law but nevertheless are expected of business by society members.

4. Discriminatory Responsibilities:

(a) Not legally required or even demanded by ethics.

(b) Corporations accept them in order to meet society's expectations.

▪ **Some Surveys In India**

In the past few years, some surveys have been conducted in India by different organizations to understand the perception of CSR among companies and their different stakeholders, and to define the drivers and barriers of CSR in India. Some of the prominent surveys include Current Status Of CSR In India. CSR is not a new concept in India. Corporates like the **Tata Group, the Aditya Birla Group, and Indian Oil Corporation**, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

▪ **Best practices followed by Indian Companies related to CSR are as follows:**

- **ONGC and Indian Oil Corporation** has been spending 0.75-1 % of their net profits on CSR activities. In 2007-08 Rs. 246.70 crores was spent by oil PSUs on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.
- **SAIL** has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water.
- **BHEL & Indian Airlines** have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.
- **Reliance Industries** initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.
- **Mahindra & Mahindra** launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible events
- **GlaxoSmithKline Pharmaceuticals**' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
- **Bajaj Electricals Ltd** corporate social responsibility activities include Education, Rural Development & Environment.

▪ **Challenges Of CSR**

There are number of challenges to the implementation of CSR. They are enumerated below:

➤ **Lack Of Awareness Of General Public In CSR Activities**

There is a lack of interest of the general public in participating and contributing to CSR activities of companies. This is because of the fact that there exists little or no knowledge about CSR. The situation is further aggravated by a lack of communication between the companies involved in CSR and the general public at the grassroots.

➤ **Need To Build Local Capacities**

There is a need for capacity building of the local non governmental organisations as there is serious dearth of trained and efficient organisations 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.

➤ **Issues Of Transparency**

Lack of transparency is one of the key challenges for the corporate as there exists lack of transparency on the part of the small companies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilisation of funds. This negatively impacts the process of trust building among the companies which is key to the success of any CSR initiative.

➤ **Non-Availability Of Well Organized Non-Governmental Organizations**

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.

➤ **Visibility Factor**

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the 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 programmes; in the process, they often miss out on meaningful grassroots interventions.

➤ **Narrow Perception Towards CSR Initiatives**

Non-governmental organisations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven. As a result, corporates find it hard to decide whether they should participate in such activities at all in medium and long run.

➤ **Non-Availability Of Clear CSR Guidelines**

There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. The scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.

➤ **Lack Of Consensus On Implementing CSR Issues**

There is a lack of consensus amongst implementing agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

▪ **Conclusion of the Study**

Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR. There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth. The reality is that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people. CSR cannot be an additional extra - it must run into the core of every business' ethics, and its treatment of employees and customers. Thus, CSR is becoming a fast-developing and increasingly competitive field. The case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers and the public are increasing. Being a good corporate citizen is increasingly crucial for commercial success and the key lies in matching public expectations and priorities, and in communicating involvement and achievements widely and effectively. Last but not the least CSR is a journey and not the destination.

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