CONCEPT AND EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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Abstract

The paper dwells into the concept of Corporate Social Responsibility and also shows the evolution of the concept in India. Globally the concept of CSR came into existence much before than it grows and spread its roots in India. Starting from the philanthropy the concept evolved over the years and then gradually corporate took it as their responsibility towards the employees, their families, the local community and society at large. There are many companies in India that were engaged in the developmental activities. Those initiatives were taken voluntarily by the companies for the socio-economic development of rural areas. The term became popular in 1960s and now is formidable part of business operations.

Keywords: Corporate social responsibility, concept of corporate social responsibility, Evolution of corporate social responsibility, CSR in India.

Introduction:

CSR is a concept that suggests, it is the responsibility of the corporate s operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large. Although there is no fixed definition , however the concept revolves around the fact that corporations need to focus beyond earning just profits. A visionary company that will survive in the long run operates on a timeless set of core values and enduring purpose that goes beyond just making money.(Collins and Porras, 1994) Businesses are no longer viewed as only the economic entities but are perceived to be an inseparable part of the society and management has become a major leadership group in the industrial society that have a greater responsibility not only towards their profession but also towards the people they manage and the society and economy in which they operate(Drucker 1964)

CSR is about how businesses align their values and behavior with the expectations and needs of the stakeholders not just customers and investors, but also employees , suppliers, communities, special interest groups and society as a whole. CSR is also a

continuing commitment by business to be accountable to its stakeholders and to behave ethically and contribute to economic development of all its stakeholders. Basically Corporate social Responsibility is about business giving back to society. 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. Now a days businesses are viewed as an integral part of the society and they have a active role to play in the sustenance and improvement of healthy community and society at large.

Research Methodology:

This paper is based on secondary data. Secondary data is derived from various papers published in the journal, books , and articles published in the newspaper. Also various web resources are used for the information.

Concept of CSR:

The concept of CSR revolves around the fact that corporations needs to focus beyond earning just profits. The term became popular in the 1960s and now is formidable part of business operations. Generally, CSR means, corporations and businesses in general while working on their main goal of maximizing their shareholders' profit should also keep in mind the societal concerns and need and act responsibly towards the society in which they operate.(Melikyan,2010)

As Jeremy Moon pointed out, CSR is a difficult concept to pin down. So any definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR. The broadest definition is concerned with what is - or should be- the relationship between global corporations, government and individual citizens. More locally the definition is concerned with the relationship between the corporation and the local society in which it operates or resides.

Dahl (1972:18) state that "Every large corporation should be thought of as a social enterprise, that is an entity whose existence and decisions can be justified in so far as they serve public or social purposes."

Carroll(1979) one of the early CSR theorist state that businesses encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time.

Drucker (1984) had said that "business turns a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well paid jobs and into wealth."

Balabanis, Phillips and Lyall (1998) declared that, "In the modern commercial area, companies and their managers are subjected to well publicized pressure to play an increasingly active role in the welfare of society."

Moir (2001) is more ambivalent, " whether or not business should undertake CSR and the forms that responsibility should take, depends upon the economic perspective of the firm that is adopted."

There is however no agreed definition of CSR so this raises the question as to what exactly can be considered to be CSR? According to the EU commission [(2002)347 final:5] …"CSR is a concept where by companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." The world business council for sustainable economic development, considered "corporate social responsibility is the commitment of businesses to contribute to sustainable economic development, working with employees, their families the local community and the society at large to improve their quality of life" (WBCSD,1999,P6)

The CSR definition does not describe how to face challenges within this phenomenon. The businesses therefore must understand how to construct CSR policies so as to align it in a specific context and how to consider it while developing their strategies.

CSR is all about the overall relationship of the companies with all its stakeholders which include customers, employees, community, investors, government, suppliers and competitors. The corporations are expected to align their behavior and policies with the needs and expectations of the stakeholders. CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximize the benefits and minimize the downsides. Through effective CSR practices, organizations will achieve a balance between economic, environmental and social imperatives , address stakeholders' expectation, demands and influences, sustain shareholder values. CSR must be considered a core value of the company-that the expectations of all the company's key stakeholders must be considered while taking business decisions. It also requires a mindset that is in tune with the society and community in which company is situated and operates and make its living.

It is known that the business sector generating wealth and value for the shareholders, but there are also many problems like unemployment, illiteracy, malnutrition, poverty in the

society. While these problems are addressed by the local government by undertaking different developmental initiatives and series of programs, the corporate sector also need to take the responsibility and contribute for the wellbeing and upliftment of the communities in which the business operates.

Based on the results of a survey of international experts in CSR and sustainable development, in 1994, John Elkington coined the term Triple Bottom Line (Elkington 1997) In 1995, he also developed 3Ps formulation, often paraphrased as "Profit, People, Planet" or referred to as "The Three Pillars". Elkington proposes that an organizations license to operate in society comes not just from satisfying stakeholders through improved profits(the economic bottom line) but also by improving its environmental and social performance.(Elkington 2004). Nowadays there is a large concensus regarding the fact that the –Profit, people, planet also known as the triple bottom line are words that should be used and practiced in every organization. Following this three pillars approach, CSR can include economic issues(to make profit), social issues (sensitiveness and respect towards different and changing social and cultural norms and values), environmental issues (to respect the environment and to care for the constant improvements of its condition or a combination of these three pillars. (Gariga et. al. 2004). By adhering to the triple bottom line targets i.e. economic, social and environmental, at an aggregate level will ensure the sustainability of the community.

So we can see that CSR is recognized the world over as well as in India. Integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. As businesses are the integral part of the society, they have a critical and active role to play in the sustenance and improvement of healthy ecosystem, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance.

Review of Literature:

1) S. Kaur and Nidhi Tandon,(2017), have focused on the reasons for growth of CSR in India and its potential advantages to organizations. Through the study authors have discussed on the global guidelines on corporate social responsibility, growing significance of corporate social responsibility and its evolution in India. This Study paper also presents some CSR activities of reputed companies in India, Such as Infosys, Tata Group, Mahindra etc. Authors have concluded that , CSR have no boundaries and are Societal Marketing Concept of Companies is Constantly evolving and has given rise to a concept of Corporate Social Responsibility.

2) J.A.Arevalo and Deepa Arvind (2015) have examine that how organizations in India interpret the Corporate Social Responsibility.Authors have discussed on the Corporate Social Responsibility in the context of four approaches like – the ethical, the statist, the liberal and the stakeholder. Through the study authors have investigated the reported drivers and barriers to implementing CSR activities.Through the study authors have observed that, CSR approach is most favored by Indian organizations. The results pf the study shows that the most significant constraint in CSR implementation lack of appropriate resources and complexity and difficulty of implementing CSR. Authors have also discussed on the concept of CSR in Indian Context.

3) S.V.Kumar(2017) has highlighted the emerging perspectives if corporate social responsibilities in india.Through the study author has focused on the evolution of CSR , and its phases in India . Author has discussed on various drivers of CSR such as care for all stakeholders, ethical functioning, Respect for workers rights and welfare, respect for human rights, respect for environment and activities for social and inclusive development. Author has also focused on the key issues in Corporate Social Responsibility nad CSR activities in India. In the opinion of author, there is a need to increasing the awareness and understanding of CSR and active involvement of organizations in equitable Social development as an integral part of business practice.

4) R. Gautam and A. Singh(2010) have explored the various definitions and descriptions of CSR and elaborate upon development of CSR in India. Through the study authors have focused on the theoretical concepts expanded by various researchers and study the deployment current CSR activities in India.Through the study authors have also examined that, how 500 Indian Organizations view and conduct their CSR, identifies key CSR practices and maps these against global reporting initiative standards. Through the study authors have pointed out that CSR is now presented as a comprehensive business strategy and arising mainly from performance considerations and stakeholder pressure authors have concluded that every Indian Organization defines CSR in their own ways as per their requirements.

Evolution of CSR in India:

While understanding the concept of CSR we have seen that it is now recognized all over the world. Although the term is not new, the term has evolved over a large period of time. CSR has introduced during 1950s (Bowen1953). The concept of CSR has been around

for over 60 years, however in India, it has been recognized and supported by most organizations only recently. This process of evolution of CSR can be divided into three main phases:

1. Before Independence :

The concept revolved around charity that was carried out by businessman and philanthropist with a strong religious sentiment. The wealthy merchants shared their wealth by building temples, provide food during famines etc. But with the arrival of colonial rule, the approached changed and the industrial families like Tata, Godrej, Bajaj, Modi, Birla became strongly inclined towards economic as well as social development. Culture, religion, family values, tradition and industrialization were the key influences of CSR. It was observed that efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by political objectives.

2. After Independence (1947- 1980) :

post independence, there was influence of the concept of trusteeship. It was introduced by Mahatma Gandhi during the independence movement. According to the concept the industry leader has to manage their wealth so as to benefit the common man. There was increased stress on Indian industrialist to demonstrate their dedication towards the progress of the society. Industrialist should act towards building nation through socio-economic development. According to Gandhiji Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. All these were in line with Gandhijis ethical economic model, and reforms were made to abolish untouchability, women empowerment and rural development.

After 1960, the ethical model was followed by statist model of Nehru. The emergence of the element of "mixed economy", emphasized on the state ownership. During this period the private sector was forced to take a back seat. The public sector was seen as the prime mover of the development. CSR was influenced by the emergence of public sector undertakings to ensure proper distribution of wealth. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. Therefore there was a natural shift of expectation from the public sector to the private sector and the active involvement of the private sector in the socio economic growth of the country became necessary.

In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transperancy, social accountability, and regular stakeholder dialogues. Inspite of such attempts CSR gained little momentum.

3.After Industrialistion And Globalisation :

In the 1980s business and social interests came closer and firms became more responsive to their stakeholders. Indian companies integrated CSR into a sustainable business strategy.

In 1990 the era of globalisation and economic liberalization has started. Globalisation has transformed india into an important destination in terms of production, manufacturing and marketing. As the global markets were more concerned about labor and environmental standards, Indian companies needed to focus on the social issues to meet international standards. With partial withdrawal of controls and licensing systems, there was rapid economic growth, that enabled the companies to contribute more towards social responsibility.

After 1998, India has seen the information technology boom. There were many global businesses that entered Indian market which enhanced the competition. The global standards of CSR also came in with them. CSR policies, programs and practices were initialized by the corporate throughout their business operations. Companies felt that these initiatives will create goodwill and reputation. It will also increase the business competitiveness. Businesses got motivated by the global standards of CSR and they respond to the needs and meet consumer satisfaction. Also, at the same time it enhance their brand value. So, what started as a charity now become a responsibility.

After 2000, government has realized the importance of corporate India in social development. The global information sharing allowed the Indian government to incorporate the best practices that lead to set up guidelines for CSR activities. It is felt that lots of economic and human energy is available in this area which can be utilized, so a suitable mechanism is required to channelize this energy for which the government, corporate sector and the communities need to partner together.

The Legal Intervention:

In order to assist the businesses to adopt responsible governance practices, the Ministry Of Corporate Affairs has prepared a set of voluntary guidelines in 2009. The voluntary guidelines specify the fundamental principle, list out the core elements and provide

implementation guidance to business houses. The voluntary guidelines indicate some of the core elements that responsible business need to focus on while conducting their affairs and which will also add value to the operations and contribute towards the long term sustainability of the business.

The Companies Act 1956 was revamped with the new Companies Act 2013. As per as CSR is concerned the companies act 2013 is a landmark legislation that made India the first country to mandate and quantify CSR expenditure.. The focus has been on the partnership and the triple bottom line engagement and not just on monetary alliance. The inclusion of CSR is an attempt by the government to engage the business with national development agenda. The details of the CSR is mentioned in the section 135 of companies Act 2013. The Act came into force from April 2014. Every company, private Ltd. Or public Ltd., which either has a net worth Rs 500 crore or a turnover of 1000 crore or net profit more than 5 crore needs to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in schedule VII of the Act. The activities specified in schedule VII are as follows:

Eradication of hunger and poverty

Promotion of Education

Promotion of gender equality, empowerment of women

Ensuring environmental sustainability

Protection of national heritage, art and culture

Measures for the benefit of armed forces veterans, war widows and their dependants

Promotion of sports , nationally recognized sports, paralympic sports and Olympic sports

Contribution to the fund setup by central government for socio-economic development and welfare of SC, ST and OBCs, minorities and women.

Rural development projects.

The corporations are required to set up a CSR committee which designs the CSR policy which is approved by the board and encompasses the CSR activities that corporations are willing to undertake. The Act has also penal provisions of corporations and individuals for failure to abide by norms. The details of the same are highlighted in the Act.

Conclusion:

CSR came into use in late 1960s and early 1970s. In the 1980s business and social interest came closer and firms became more responsive to their stakeholders. CSR has

came a long way, beginning from charity, philanthropy to obligatory programs. Taking into account the need for community development CSR has become an extremely important subject not only for companies but also for communities and public policy. In a globalised economy, taking into account the fierce competition, CSR is often considered a very important premise for businesses to gain and sustain competitive advantages. (Hortensia Gorski et.al. Procedia Economics and Finance vol. 16, 2014 pg. 224). Corporates are abide by law to look into social issues and upliftment of downtrodens. This has lead to gain momentum of the social development projects. Corporate are now undertaking the programs that helps in dealing with the social issues like human rights, health and hygiene, nutrition, education, gender equality, infrastructure facilities, etc. This has lead to the increase in the awareness in the society as well.

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