



CORPORATE SOCIAL RESPONSIBILITY: THE SOCIETAL ROLE OF GOVERNMENT, CORPORATE AND CIVIL SOCIETY

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ABSTRACT

Business is an organ of society. Therefore, they coexist. When business does not flourish, it hinders the societal development. It pays tax which is also used for development purpose. The review on business and society literature revealed that the companies honestly engaging themselves in social responsible actions have been benefitted through the engagement programs where as the business indulging in social irresponsible actions have wind up or struggling to find the means of survival. In the new millennium, Corporate Social Responsibility (CSR) has become an inescapable priority because of the pressure from various stakeholders to business. The present research paper while making an attempt to put an insight to the retrospective practices of CSR in India highlights the emerging issues addressing the nation. The present paper also reviews CSR provisions under The Company Act, 2013 and Prime Minister wakeup call which brings a lot of opportunities for the corporate houses to engage in social responsible actions and be accountable for the consequence of their actions to benefit all.

Key Words: CSR, Community Development, Environmental Management, Corporate Irresponsible Behavior.

Corporate and Society Nexus

The relation between the corporate and the society is complementary in nature. A corporate is primarily a business entity consists of a series of economic activities. During the business

process, the corporate exploits certain quantum of societal resources from the treasures of the society, though it pays for it. The manufacturing enterprises very often exploit natural resources such as mines, water, land etc and badly affect the PLANET through release of poisonous gas like carbon monoxide onto the air and pollution of water, soil, air, etc. Percussion of such unwanted activities undertaken by the industrial establishment also badly affects the inhabitants in this lovely Planet. However, the law prescribes an acceptable level of such damages i.e. the effluent as it is indispensable for the sustainability of mankind on the earth. But, when the effluents get accumulated and cross the boundary of tolerance, the society also finds itself difficult to shut down the business entity. The reasons could be attributed to the fact that the corporate serves the society in terms of employment generation, service and products delivery to customers to meet their requirement, paying tax to the government etc. Since the damage caused to nature is irreparable, the concept of Corporate Social Responsibility (CSR) emerges to find out a monetary equivalence to the damage caused.

The entirety of CSR can be discerned from the three words contained within its title phrase: ‘**corporate**’, ‘**social**’, and ‘**responsibility**’. Therefore, in broad terms, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate. More specifically, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process, so that everybody sustains.

CSR in India: Retrospection

It will be quite noteworthy here to put some flash back on CSR in India. For long-established industrial dynasties, such as the Birlas and the Tatas, concepts of nation-building and trusteeship have been alive in their operations since the inception of their business before CSR becomes a popular cause. Alongside there are the leading Indian companies with strong international shareholdings, such as Hero Honda, HLL (Hindustan Lever Ltd), ITC, and Maruti Udyog are addressing the local dynamics with the business standards of the parent or partner. Another tradition emerges from the public sector enterprises, such as BHEL (Bharat Heavy Electricals Ltd), HDFC (Housing Development Finance Corporation), NTPC (National Thermal Power Corporation), and ONGC (Oil and Natural Gas Corporation), where corporate houses are incorporating social obligations in their strategic decision making. And then there is the new generation of corporate houses that have surged on the back of knowledge based globalization,

such as Dr Reddy's, Infosys, Ranbaxy, and Wipro that prevent the minimum occurrence of negative impacts and more on maximizing the positive spill-over effects of corporate development.

Mapping out these four families of CSR provides a road map for understanding the emerging model of corporate responsibility in India. Looking across the current practices of leading Indian corporations, a number of core elements come into sight:

- *Community development:* Most large companies either have their own foundations or contribute to other initiatives that directly support the community upliftment, notably in health, education, and agriculture.
- *Environmental management:* Environmental policies and programmes are now standard, and many companies have implemented the ISO 14 001 system throughout their businesses.
- *Workplace:* Growing out of long-standing commitments to training and safety is a more recent emphasis on knowledge and employee well-being. (Sahoo, 2011)

Unlike western capitalism, businesses in Asia are part of a social welfare philosophy embedded in corporate philanthropy. Some families from traditional merchant communities pioneered indigenous industrialization in India in late 19th century and participated not only in freedom struggle but in the nation-building process thereafter (Mohan, 2001).

Indian Struggle for independence is literally over. But, many issues in the socio economic fronts have emerged. Poverty, corruption, lack of quality education, requisite skills unavailability, brain drain, poor governance structure, inadequate technological up gradation for service delivery are haunting the nation every now and then. Corporate houses across the nations have joined together for the socio- economic development. But Scholars explored the gap between what business firms think about its responsibilities and what they act when Corporate Social Performance (CSP) is measured in terms of socio economic impact (Nanduri, 2007; Sahoo, 2011). CSR efforts become often counterproductive, for two reasons (Porter M.E & Kramer M.R, 2006). First, they pit business against society where as in reality the two are interdependent. Secondly, they put pressure on companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to their individual strategies. As result of which, business houses failed to convert to social problem into a business

opportunity. CSR was treated as a cost, a constraint and a charitable deed rather than a business choice (Porter M.E & Kramer M.R, 2006).

Like many other nations, CSR in India was voluntary and philanthropic in nature. The empirical investigations on CSR in India have revealed that CSR practices have been restricted to a limited set of practices, viz., community development (education, health, social issues), and HR practices (Kumar, 2003). In India, most of the corporate houses did not have a clear policy on social responsibility. While, in developed countries, there were separate ministries to look after the issue of corporate social responsibility, in India, the government did not have a clear policy on the issue. Out of the very few companies who contribute to the social development, the basic intention was not to ensure the good of the nation, rather a business policy to stay away from the tax net. This led to underperformance of the corporate sector from societal perspective.

Corporate Irresponsible Behavior

Business is an organ of society. The purpose of the business is to earn profit within ‘the rule of the game’ by serving its stakeholders who are also the members of the society. Profit is a business need, but having a limitation (Drucker, 1954). Maximizing profit at the cost of neglecting the stakeholders is ‘not only bad business, but also bad for society.’

Last few decades witnessed a series of corporate scandals as sheer examples of corporate irresponsible behaviors. Saradha Group Financial Scandal, Indian Coal Allocation Scam, 2G Scam, Bihar Fodder Scam, The Satyam Scam, Union Carbide cases to name a few, tarnished the image of the nation shaking its economy to a large extent. Investigations into these cases revealed that there are high profile government officials and members of the various Boards of Industry allegedly involved in these activities. The corrupt officials presumably transferred the ill-earned money accumulated through unfair means to different overseas banks which was revealed by the *wiki liki* source. The nation continued to struggle despite having opulence of its resources. Whom to blame for the system failure when law making body is allegedly found to be involved in high level scandals? Governance Policy as enshrined in The Company Act, 1956 by the Government of India was having a lot of loopholes which rendered rooms to the vested interest allegedly indulged in laundering public money. The nation with its limited electoral representatives, its machinery and with more than a billion of population seems to be struggling in its social front. Many of the players in the industries with their handicapped mindsets create an irreparable void in the nation through malicious and malignant practices that the nation had never

experienced before. CSR corpus of the company was also used for political funding to please the legislators. The key players and their machineries in the industries indulged many unwanted alleged activities, laundering public money and nation lost its revenue that in could have collected through tax collection etc. As a result of which there was massive private gain at the public loss. The nation depicted a topsy-turvy.

Media, civil society and other social institutions have become very adept and agile to ask and compel response by the business organizations towards various issues occupying the boundary between business and society (Altman, 1998) with the advent of liberalization, privatization and globalization. Rapid industrialization in mostly the developed countries and developing countries too caused environmental degradation affecting quality of lives across the nations. Governments, activists, and the media have become receptive to ask companies to account for the social consequences of their actions. As a result of which CSR in the new millennium emerged as an inescapable priority for business leaders across the nations.

CSR is not just giving back to society. Companies engaged in social responsible actions have explored accomplished benefits for the companies and society from mutual growth perspectives. The companies having operation in the remote under privileged regions have come out successful in business performance through corporate community engagement programs. When companies develop schools, health care centers, conduct skill development training programs and indirectly build township, the companies also get healthy and literate workplace from the region and probably remain away from the 'war for talent'. Development of the periphery areas also attract workforce from outside. This has been true in case of Unilever and ITC.

ITC has been criticized for being the manufacturer of Tobacco. In many of the forums and Panel discussions, the company has invited criticism for this. If we look at the other side of corporate enterprise, we notice that the tobacco and liquor companies generate huge revenue for the respective governments who invest such revenue in the developmental activities of the society. Over and above, ITC is also a front runner in its social responsibility activities. Similarly, Altria group- the biggest manufacturer of popular brand 'Marlboro' experienced a lot of criticism by the public at the meetings in 1990s. The company lost the confidence of the shareholders as a result of which its share prices got depreciated at the share market. The company introspected on the reasons and invested huge quantum of expenditure on corporate philanthropy, research and public welfare which received appreciation from the general public and shareholders at a later stage and there is not much hue and cry now. These companies have received favorable

responses from their stakeholders for their social responsible actions and brought about changes in society and performing well at business front.

Recent Development in CSR

The Company Act, 2013

To minimize the occurrences of unwanted activities, the time testing legislation- The Company Act 2013 has been passed in the Parliament. There was rising pressure of increased business competition and business stakeholders. Government across the nations also brought about certain regulation of corporate spending on firms' CSR activities. The Company Act, 2013 is a time testing legislation which brought about a lot of changes in its old version of the Company Act, 1956. The new act with its 470 clauses, 658 sections and 29 chapters made it dynamic and simple with certain provisions on corporate governance and CSR. The new company act brought the companies having net worth of rupees 500 crore or more, or annual turnover of rupees 1000 crore or more or a net profit of rupees 5 crore or more during any financial year under the ambit of CSR and directed those companies to constitute a CSR Committee of the Board consisting of three or more directors including an independent director. The CSR Committee shall formulate and recommend Corporate Social Responsibility Policy. Further, the Board of every such company shall ensure that the company spends in every financial year at least 2% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR policy. Where the company fails to spend, the approach is to 'comply or explain'. While spending money on CSR, companies shall ensure that preference is given to local areas where they operate.

PM's Societal Movement

India lives in villages. The nation cannot develop unless the inhabitants residing at the bottom of the societal pyramidal structure are developed. There are a lot of challenges to bring these people to the mainstream of the society. Illiteracy, poverty, liquor consumption and indulgence into the so called petty politics to name a few affect their lives to the extent that cannot be thought of by the civilized citizens. Life gets shattered as it does not get a worthy meaning. Solution lies in the change of mindsets. To bring about awareness among the members of the communities, the hon'ble Prime Minister has given a wakeup call that has received wide attention from media, corporate houses, leaders, celebrities, members of different communities. PM's *Swachha Bharat*

Movement has touched the every nook and corner of the society. Media, celebrities and people at the bottom line have come forward to generate money and work for the good of the nation through various programs on rural sanitation, pure drinking water, health and education. NDTV, for example, organized a 12 hours media campaign on *Swachha Bharat Campaign* with Super Star Amitabha Bachchan and many corporate leaders and community members and generate 200 crores for the purpose of transforming Rural India. PM's *Jan Jan Yojana* is another wake call for the citizens of India to open bank accounts through *Aadhar* and get the benefits of life and accidental benefits. The program aims at inculcating a saving attitude among the citizens and creating an online database of citizens' to planning and implementation of various developmental programs for the good of the people. *Beti Bachao, Beti Padhao* is another wakeup call to prevent female foeticide and women's education. These are the areas where corporate can play commendable role for nation building. *Aadhar* now links people through various developmental programs and will likely to put a check on the indulgence of the vested interests in criminal activities.

It's obvious that neither the Government, nor the corporate, not the citizens can prosper alone without the support of one another. Though late, but the realization has come in the society that one cannot walk without others. Therefore, the Companies today can address the emerging standards for social and environmental reporting through Triple Bottom Line (TBL) approach, which is a proactive answer to the questions raised by the stakeholders with respect to increased transparency and accountability. TBL considers 3Ps, i.e., People – the social bottom line, Planet – the ecological bottom line and Profit – the economic bottom line for the growth of all. Under this concept, the company will have to look at not just what it should do with its profits, but how it made its profits in the first place, that is, looking at impact on all its stakeholders.

Conclusion

Social responsibility is neither just the responsibility of the corporate, nor the Government, nor its citizens, but the responsibility of all who have a stake in society. But CSR practices across the companies revealed the gap in terms of *the Impact* of social responsibility actions. There was a clear gap between the '*what the firm thinks and what the firm speaks and what the firm practices*'. There is already a wakeup call. Government is planning to hand over specific under privileged regions to certain companies to undertake developmental works. Time now that the companies have to justify 2% of the net profit (as per the New Company Act, 2013) put in the

form of *CSR Corpus* in the development of the allotted regions instead of laundering the funds in political funding.

The question hitherto needs to be answered on the measurement index. How to measure the impact of Social responsible actions of the corporate houses? The new Act does not provide any guidelines for the impact assessment.

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