



## **DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY IN INDIAN CULTURE**

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### **ABSTRACT**

*An undeniable fact is that the companies have a responsibility towards the society and its stakeholders and shareholders. This fact has been made compulsory under the Companies Act, 2013 also where wealth maximisation does not remain the sole goal of the companies for their shareholders. The companies have to think about various people including employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. Today's business world, involves all these players from the entire world due to globalisation and everything being online. So the need is to contribute companies share for social purposes. It is a way of giving back to the society by distributing a particular portion from their profits. In India, there are many firms which are engaged in CSR activities and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. The amendments under the Indian Companies Act 2013 with mandatory laws has created a balance between what the companies are earning in terms of profit and what it is distributing for the benefit of the society. The study aims at understanding the various*

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*dimensions with respect to corporate social responsibility, the mandatory CSR, its objectives, and India and CSR. The study uses the methodology based on internet based research, case studies, previous publications or review of literature. The paper concludes that Corporate Social Responsibility is in the interest of societies and companies both. Today's business world having different players in the corporate world cannot escape from the responsibility of serving the society to the best. It is because of mandatory CSR under the Companies Act, 2013. The various dimensions of corporate social responsibility are economic, social and environment aspect. Development of the country is priority and basic necessity for which every organization has to come forward for various aspects in the society to fulfill societal goals. Compulsory awareness of the corporate social responsibility as given under the Act is must to know for corporate sector for the better society.*

**Keywords:** Corporate Social Responsibility, Companies, Business, Organisations

### **Introduction**

An undeniable fact is that the companies have a responsibility towards the society and its stakeholders and shareholders. This fact has been made compulsory under the Companies Act, 2013 also where wealth maximisation does not remain the sole goal of the companies for their shareholders. The companies have to think about various people including employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. Today's business world, involves all these players from the entire world due to globalisation and everything being online. So the need is to contribute companies share for social purposes. It is a way of giving back to the society by distributing a particular portion from their profits. In India, there are many firms which are engaged in CSR activities and the Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow.

### **Literature Review**

Davies (1973) In 1960's Keith Davies argued that CSR refers to 'the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm'.

Carroll (1979) 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.

Wood (1991) According to Bowen, “CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.” CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm’s social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions.

Moore, M.H (1994) The demand is particularly relevant for public sector organizations considering that they create public value while acting in an entrepreneurial way.

According to Baron (2001) the use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.

British pharmaceutical companies Blum-Kusterer and Hussain (2001) similarly find that regulation and technological progress are the two main drivers for sustainability innovations.

According to Francesco et al (2008) the companies use different strategies as well as diverse management systems and tools to address Corporate Social Responsibility (CSR) issues along their supply chains (SCs)

Xie and Zhou (2009) investigate the impact of CSR on consumer purchase intention. They measure CSR from five dimensions: the protection of consumer rights and interests, involvement in philanthropy and charitable donation, environment protection, and concern for employee interests

Abdullah and Rashid (2012) assess the impact of CSR implementation on organizational citizenship behavior. Dimensions of CSR adopted in their study encompass CSR to

government, CSR to employee, CSR to society, CSR to environmental protection and CSR to customer.

Wang and Li (2012) study the influence of different dimensions of CSR on organizational citizenship behavior, and evaluate CSR by three dimensions, including: market responsibility, employee responsibility and public responsibility.

Denis et al (2012) argues that, the factors, community, policy, mission and vision, workforce, and environment have critical role in making CSR a very successful execution.

Greiling, D et al. (2015) In the public sector, compared to the corporate sector, accountability expectations and obligations have always been higher. New public management reforms put pressure on public sector organizations to demonstrate their financial and non-financial performance.

### **Objective of the Study**

The objective of the study is to understand and know about the

- 1) The various dimensions of CSR
- 2) The mandatory CSR
- 3) Objectives of Corporate Social Responsibility
- 4) India and CSR

### **1) The Various Dimensions of CSR**

The corporate social responsibility (CSR) mainly focuses on making corporate business activity and corporate culture sustainable in three aspects; i.e.; economic, social and environmental aspects.

- a) Economic aspect* talks about the impact of companies operations upon its stakeholders and community. It includes both direct and indirect impact upon them. Studies have shown that CSR initiatives are very important for growth and survival of organization's financial success. Product differentiation for companies is important especially within industries where very similar companies are all competing for consumers' business. CSR activities create product differentiations.
- b) Social aspect* talks about the impact of companies operations upon the society that will help in the growth of the economy and will contribute towards the

development of the economy as a whole. It includes responsibility towards employees, consumers, and community. The International Association of Impact Assessment (IAIA), an association for the advancement of social impact assessment has conceptualized the social impact by following ways:

- People's way of life – that is, how they live, work, play and interact with one another on a day-to-day basis;
- Their culture – that is, their shared beliefs, customs, values, and language or dialect;
- Their community – its cohesion, stability, characters, services, and facilities;
- Their political systems – the extent to which people are able to participate in decisions that affect their lives, the level of democratization that is taking place, and the resources provided for this service;

c) *Environmental aspect* of corporate social responsibility is related with measuring the impact of companies operations upon the environment of the nation that is; to know about the negative effect on the surrounding environment if any. This impact may include deforestation, climate change, exploitation of natural resources etc. Environmental CSR talks about reducing the bad and damaging effects on the environment with the help of various activities such as energy use, water use, waste management, recycling, emissions etc. the aim of green CSR is to reduce the business risk, reduction in the cost and increased savings. The purpose is to reduce the bad effects of business by creating products that can be recycled, reduce packaging, product life cycle optimisation, create a fuel efficient distribution network etc.

## 2) **Mandatory CSR**

Corporate social responsibility is that form of business model in which various regulations are involved. The corporate social responsibility has brought out those changes which has really helped not only organisations to fulfil their desires of positive changes coming up in the society from their side but also building up of a good society that in turn is going to

benefit them. The fact is that the social issues cannot be ignored by the companies. Their aim is not only to earn profits but also to keep it and distribute for the purpose of the society.

The Companies Act, 2013, enacted on 29 August 2013, aims to improve corporate governance by making simpler regulations keeping in mind the minorities and investors interests. In companies, a CSR committee must be formed by every company (whether private or public) having:

- Net Worth of Rs. 500 Crores (Rs. Five Billion) or more or
- Turnover of Rs. 1000 Crores (Rs. Ten Billion) or more or
- Net Profit of Rs. 5 Crores (Rs. Fifty Million) or more

The percentage of allocation of funds for CSR is 2% of Average Net Profit of the previous three financial years. If there are losses borne by the company in the last two years of the current year, then also the company has to contribute for corporate social responsibility

### **3) Objectives of Corporate Social Responsibility**

The objectives of corporate social responsibility are related with disclosures and transparency of companies contribution towards shareholders and stakeholders in fulfilling their responsibility towards society. CSR increases reputation of the company, improves public image, efficiency and satisfaction of the employees.

#### **Builds Reputation of the Company**

All those companies apart from fulfilling their own motives if directed towards and fulfils it duties towards the society also then their is no hurdle in increasing its reputation. Such acts enhance its public image.

#### **Optimum Utilisation of Resources**

Effective resource utilisation in businesses can help businesses to solve various societal problems that can be easily transformed that increases the functional capacity of the business and reputation in the market.

#### **Future needs of the Business**

For the survival of the business, it is important to fulfil community needs with available resources that will benefit the businesses in the long run by way of developing a better environment for the society and companies stakeholders.

## Reduced Government Intervention

Now, because of mandatory corporate social responsibility under the Companies Act, 2013, all the companies are aware that they have to contribute to the society and therefore, government intervention is reduced in companies. The businesses are exercising their power by carefully understanding it and thereby avoiding government intervention.

## 4) India and CSR

### India's Top 10 companies for Sustainability and CSR 2017

Companies	Rank
Tata Chemicals Ltd.	1
Tata Steel Ltd.	2
Tata Power Company Ltd.	3
Shree Cements Ltd.	4
Tata Motors Ltd.	5
UltraTech Cement Ltd.	6
Mahindra & Mahindra Ltd.	7
ACC Ltd.	8
Ambuja Cements Ltd.	9
ITC Ltd.	10

Source: *Responsible Business Ranking released by Futurescape and IIM Udaipur*  
(<https://indiacsr.in/three-tata-companies-top-in-2017-responsible-business-rankings/>)

## Conclusion

Corporate Social Responsibility, a matter of interest for both the societies and companies and they cannot escape from the responsibility of serving the society to the best. It is because of mandatory CSR under the Companies Act, 2013. The various dimensions of corporate social responsibility are economic, social and environment aspect. CSR improves image of the company also, leads to an effective resource utilization and business survival is also enhanced. The paper has been written to spread awareness and knowledge of corporate social responsibility which aims at securing the local and global environment by focusing upon *Economic aspect* that talks about the impact of companies operations upon its stakeholders and community; *Social aspect* that talks about the impact of companies operations upon the

society leading to the growth of the economy and contributing towards the development of the economy as a whole; *environmental aspect* of corporate social responsibility is related with measuring the impact of companies operations upon the environment of the nation that is; to know about the negative effect on the surrounding environment if any. The paper concludes that development of the country is priority and basic necessity for which every organization has to come forward for various aspects in the society to fulfill societal goals. Awareness of the corporate social responsibility and its compulsion under the Act is must to know for corporate sector for the better society.

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