



A STUDY OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIA IN CHANGING GLOBAL SCENARIO

Mr. Chand Prakash Saini¹, Dr. Vijay Rathee², Mr. Ishant Khurana³

¹AP, SGT UNIVERSITY, GURGAON

²AP, University Institutes of Law and Management Studies, Gurgaon,

³ AP, GTC, Kablana

ABSTRACT

Corporate Social Responsibility (CSR) is a concept, which states that Private Corporation or public organization has a responsibility to society. It minimizes the cost as well as risks thereby, increasing the brand value and reputation of the company. 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.” The CSR activities need to be in tune with effective strategic policies so that the aim of sustainable environmental, social and economic progress may be achieved. This paper is based on qualitative research design consisting of review of literature through secondary sources of data collection. The data has been examined through content analysis process from various books, newspaper articles and journals. This paper seeks to explain various initiatives taken in the field of CSR along with some key challenges.

INTRODUCTION

Corporate Social Responsibility is a growing and important part of an organization’s overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities. CSR is the responsibility of an organisation for the impact of its decisions and activities on society, the environment & its own prosperity known as the TRIPLE

BOTTOM LINE of people, planet and profit. Triple bottom line concept (3P) explains that in order to sustain in the long run a corporation should pay attention to the following components: People relates to fair & beneficial business practices towards labour, the community and region where corporation conducts its business. Support from people (society) in business area is needed for corporate sustainability. As an integral part with society, corporation need to have commitment in giving optimum benefit to the society. Planet refers to sustainable environmental practices. There is a causal relationship between corporations and planet. If corporations preserve their environment, environment will benefit them. A triple bottom line Co. does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals. Profit is the economic value created by the organisation after deducting the cost of all inputs including the cost of the capital tied up. It is the most important thing and also main objective of every business. Profit can be increased by improving work management through process simplification, by reducing inefficient activities, save processing and service time and usage of material as efficient as possible. Corporate social responsibility is a commitment to improve the well - being of a community. It is not charity but it is a core business strategy of an organization. It is a way which strikes a balance between economic, social and environmental imperatives.

DEFINITIONS OF CSR

Corporate Social Responsibility has been defined by many authors and institutions in recent times. At the global level, the concept of CSR was firstly mentioned in 1953 in the publication „Social Responsibilities of Businessman“ by William J. Bowen. **Bowen** has suggested that the “social responsibility of businessman refers to the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.” **European Commission** described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.” **World Business Councilfor Sustainable Development** defined 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. **According to Forbes (2010)**, corporate social responsibility works in two ways. The company gives back to the society, in turn, people get to know about the company who helped them most and cater to their products and services. **According to Infosys founder, Narayan Murthy**, “Social responsibility is to create maximum shareholders value, working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment.”

INDIA AND CSR

CSR is not new to India. Development of CSR can be traced back in different phases which are as follows:

The **first phase** of CSR was predominantly determined by culture, religion, family tradition and industrialisation. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices, especially in community development. In the pre-industrial period up to the 1850s, merchants committed themselves for the religious reasons, sharing their wealth, for instance, by building temples. Moreover, "the business community occupied a significant place in ancient India and the merchants provided relief in times of crisis such as famine or epidemics by opening go-downs of food and treasure chests" (Arora, 2004). Under colonial rule, Western type of industrialization reached India and changed CSR from the 1850s onwards. The pioneers of industrialization in the 19th century in India were a few families such as the Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhanian, Modi, Mahindra and Annamali, who were strongly devoted to philanthropically motivated CSR (Mohan, 2001).

The **second phase** of Indian CSR (1914-1960) was dominated by country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship, which aimed to consolidate and amplify social development. During this period, Indian businesses actively engaged in the reform process. Not only the companies saw the country's economic development as a protest against colonial rule; but also they participated in its institutional and social development (India Partnership Forum 2002). The paradigm of the "mixed economy", with the emergence of PSUs and ample legislation on labour and environment standards, affected the **third phase** of Indian CSR (1960-1980). This phase was also characterized by shift from corporate self-regulation to strict legal and public regulation of business activities. In this scenario, the public sector was seen as the prime mover of development. The 1960s was described as an "era of command and control", because strict legal regulations determined the activities of the private sector. The introduction of a regime of high taxes, quota and license system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. As a result, corporate governance, labour and environmental issues rose on the political agenda and quickly became the subject of legislation. Furthermore, state authorities established PSUs with the intention of guaranteeing the appropriate distribution of wealth to the needy (Arora, 2004). In the **fourth phase** (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and to some extent integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government initiated reforms to liberalize and deregulate the

Indian economy by tackling the shortcomings of the “mixed economy” and tried to integrate India into the global market. Consequently, controls and licence system were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora & Puranik, 2004).

At present, Indian companies are now expected to discharge their stakeholders’ responsibilities and societal obligations, along with their shareholders’ wealth maximization goal. In India as in the rest of the world there is a growing realization that business cannot succeed which fails in a society. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status. Nowadays, India has been named among the top ten Asian countries paying increasing importance towards Corporate Social Responsibility (CSR) disclosure norms. Besides the public sector companies, it is the private sector companies that played dominant role in CSR activities.

CODES & STANDARDS FOR CSR

1. Global Reporting Initiative (GRI): GRI has been addressing the need for standardized approach to corporate sustainability reporting. In 2006, GRI published Version 3.0(G3) of its Sustainability Reporting Guidelines emphasizing performance indicators, which contain a separate section titled “Human Rights” with nine performance indicators. It is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of organisational activities. Its mission is to improve the comparability and credibility of sustainability reporting worldwide.

2. UN Global Compact Initiative: Launched in 1999 by United Nations Secretary, Kofi Annan, the Global Compact is a coalition of large businesses, trade unions, environmental and human rights groups, brought together to share a dialogue on 6 corporate social responsibility. It consists of a minimum platform based on fundamental values for disseminating good corporate practice in accordance with universal principals. Companies’ adherence is on a voluntary basis and signatories commit to a global pact of nine principles.

3. Social Accountability 8000: ‘SA 8000’ standard for social accountability, created in 2000 by Council on Economic Priorities Accreditation Agency (CEPAA). The SA 8000 code of practice is broken down into nine key areas child labour, management systems, working hours, compensation, disciplinary practices, forced labour, health & safety, freedom of association & collective bargaining and discrimination.

4. International Organization for Standardization (ISO) 26000: ISO an International Standard setting body has developed a new standard on Social Responsibility namely ISO 26000. ISO 26000 is intended for use by all types of organizations and in all countries and to assist organizations to operate in a socially responsible manner. According to ISO 26000, there are seven fundamental subjects of

CSR as follows: 1.) Environment 2.) Labour practices 3.) Human rights 4.) Organizational governance 5.) Fair operating practice 6.) Consumer issues 7.) Social development

5. Occupational Health & Safety Advisory Services (OHSAS) Standard: OHSAS 18001 is applicable to any organization which aims to establish a health and safety management system at work.

6. Organization for Economic Co-operation and Development (OECD) guidelines for multinational companies: OECD guidelines contains recommendations on core labour , environmental standards, human rights, competition, taxation, science and Technology combating corruption and safe guarding, consumer rights. These guidelines acknowledge and encourage the contribution that MNEs can make to local capacity building as a result of their activities in local communities.

7. Others: ISO 9001:2000 (quality), ISO 14001:2004 (environment) and OHSAS 18001:2007 are „generic management system standards“, so that the same standard can be applied to any organisation, large or small, whatever its product or service, in any sector of activity, and whether it is a business enterprise, a public administration , or a government department. These standards have been developed in the above sequence, they appear to be compatible to each other and hence show some overlapping features.

PURPOSE OF THE STUDY:

1. To study the various theories and guidelines for CSR practices at national as well as international level.
2. To study the CSR practices as per GRI (Global Reporting Initiative) guidelines being taken by companies.
3. To give suggestions for better CSR practices based on findings emanated from the study.

LITERATURE REVIEW AT NATIONAL LEVEL

1. CORPORATE SOCIAL RESPONSIBILITY OF TATA AND ITC COMPANY: A COMPARATIVE STUDY CSR has been assuming greater importance in the corporate world in 21th century. Indian Government has drafted guidelines for CSR practices, which of late proposed companies to contribute a percentage share towards that cause (CSR). This study compares the CSR activities of Tata Company and ITC Company on different areas i.e. environmental friendliness, social accountability, employee`s safety, human rights promotion and healthcare etc. The study also focuses on the reporting methods used by these companies. From this study, it is observed that all the two big private companies of the country are directly engaged in social responsibility in various areas, from innovation in agriculture & education to saving the environment. It is concluded that environment, education, community involvement and health care activities practiced as CSR by both companies.

2. ISSUES AND CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Over the time, CSR expanded to include both economic and social interests. Companies have become more transparent in accounting and display „public reporting“ due to pressures from various stakeholders. In this research paper CSR status, challenges of CSR, policies for CSR in India are studied. The concept of CSR is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. Many positive outcomes can arise when businesses adopt a policy of social responsibility.

3. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF MAJOR COMPANIES OF INDIA WITH FOCUS ON HEALTH, EDUCATION AND ENVIRONMENT

In India, many firms have taken the initiatives of CSR practices which have met with varying needs of the society. The present study has made an attempt to understand the status, progress and initiatives made by large firms of India in context to CSR policy framing and implementation. Although India has entered or taken a transformational change by involving into new CSR initiatives, but still a lot has to be done in this area.

4. CORPORATE SOCIAL RESPONSIBILITY: AN EXPLORATIVE REVIEW

Many companies have established a corporate identity using CSR as a core activity of their business, which has become a focal point of their success and competitive advantage. The basic objective of this paper is to know the concept of corporate social responsibility and review existing knowledge available in this area.

5. GLOBALIZATION OF CORPORATE SOCIAL RESPONSIBILITY FOCUSING ON INDIAN MARKETS

CSR has a wide ranging effect across the globe especially in emerging markets. CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes (aerosol products with no fluorocarbons, environment friendly technologies), adopting progressive human resource management practices (promoting employee empowerment), achieving higher levels of environmental performance through recycling and pollution abatement (reducing emissions), and advancing the goals of community organisations (working closely with groups such as United Way). In this context this paper has studied the theoretical aspect of CSR including the Global Reporting Initiative and CSR Legislation norms and globalization of CSR in India. In this paper few specific cases of CSR activity and CSR violation in India have studied.

LITERATURE REVIEW AT INTERNATIONAL LEVEL

1. THE LINK BETWEEN JOB SATISFACTION AND FIRM VALUE, WITH IMPLICATIONS FOR CORPORATE SOCIAL RESPONSIBILITY

This paper finds that how job satisfaction and firm value are linked. Companies listed in the “100 Best Companies to work for in America” generated 2.3% to 3.8% higher stock returns per year than their peers from 1984 through 2011. These results have three main implications. First, consistent with human resource management

theories, job satisfaction is beneficial for firm value. Second, corporate social responsibility can improve stock returns. Third, the stock market does not fully value intangible assets, and so it may be necessary to shield managers from short term stock prices to encourage long run growth.

2. CORPORATE SOCIAL RESPONSIBILITY AND INSTITUTIONAL THEORY: NEW PERSPECTIVES ON PRIVATE GOVERNANCE Corporate Social Responsibility has become a pervasive topic in the business literature, but has largely neglected the role of institutions. This introductory article to the Special Issue of Socio-Economic Review examines the potential contributions of institutional theory to understanding CSR as a mode of governance. This perspective suggests going beyond grounding CSR in the voluntary behaviour of companies, and understanding the larger historical and political determinants of whether and in what forms corporations take on social responsibilities. Institutional theory seems to be a promising avenue to explore how the boundaries between business and society are constructed in different ways, and improve our understanding of the effectiveness of CSR within the wider institutional field of economic governance.

3. IMPACT OF CORPORATE SOCIAL RESPONSIBILITY TOWARDS FIRM VALUE & PROFITABILITY Corporate Social Responsibility is business contribution to sustainable development that corporate behaviour not only needed to ensure return to shareholders but also other stakeholders' interest. In Indonesia, CSR currently is an obligation only for corporations in natural resources-related business. This paper will examine impact of CSR towards firm value and profitability in selected 30 listed Indonesian corporations. The impact of CSR on accounting performance (for example ROA) is a long-standing but still unresolved question. While the impact of CSR on firm value relatively less examined. This paper examined 30 selected Indonesian listed corporation to find out is there any relation between CSR to firm value and profitability. Researchers have employed GRI method to measure CSR.

CONCLUSION

Corporate social responsibility and volunteerism have no boundaries and are not constrained by race, colour, or religion. Sadly, concern for the community is often mistaken for socialism. On the contrary, capitalism thrives only when every citizen is an asset in economic activity and has opportunities to succeed. Corporate social responsibility is a culture and unwritten contract with the community. This invisible culture can shape brighter futures for nations. If employees don't see the point of CSR initiatives, or understand the message, initiatives are unlikely to be effective. The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving

and has given rise to a new concept Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well and get self-satisfaction in return as well as societal obligation of business. The Indian corporate sectors are planning to introduce CSR in the small and medium enterprises (SME) sector to increase its reach in remote areas. Most of the companies throughout the world had accepted that business is not just for making money and this is evident through their involvement in various community developmental activities. Many Business firms had realized the importance of using business ethics as a tool for retaining customers and increasing its market share by highlighting the initiatives it has taken for providing a clean environment for the society. Also some companies started using the CSR as a strategy, which aims at mutual development of company and the community simultaneously.

REFERENCES:

1. OmwenoNyameyioEnock and Dr. KundanBasavaraji (2013) "Corporate Social Responsibility of Tata company and ITC company: A comparative study", *International Journal of Business and Management Tomorrow (IJBMT)*, Vol.3, No.3, March, pp. 1-12.
2. Anupam Sharma and Ravi Kiran(2012) "Corporate Social Responsibility Initiatives of Major Companies of India with focus on health, education and environment", *African Journal of Basic & Applied Sciences* 4(3): pp. 95-105.
3. SoheliGhose (2012) "Globalization of Corporate Social Responsibility focussing on Indian Markets", *IOSR Journal of Business and Management (IOSRJBM)*, Vol.2, Issue 4(July-Aug.), pp. 41-48.
4. Amit Kumar Srivastava, GayatriNegi, Vipul Mishra, Shraddha Pandey (2012) "Corporate Social Responsibility: A Case study of Tata Group", *IOSR Journal of Business and Management*, Vol.3, Issue 5(Sep.- Oct), pp. 17-27.
5. Dr. Mohammad Khalil Ahmed "Corporate Social Responsibility in Indian Organisations", Maratha Mandir's BabasahebGawde Institute of Management Studies.
6. Alex Edmans (2012) "The link between job satisfaction and firm value, with implications for corporate social responsibility", *Academy of Management Perspectives*, Vol.26, No.4, Nov.pp.1- 19.
7. Dr. K. Krishna Kumar and K. Radha (2012) "A view on corporate social responsibilities in India", *The Economic Challenger*, No.14, Issue 55, April-June, pp. 72-75.
8. Bhupender and Vikas Kumar Joshiya (2012) " Issues and Challenges of Corporate social responsibility in India", *IJIBF*, Vol.2, No. 2, July-Dec.2012, pp. 169-182.
9. Arvind Jain (2012) "Corporate Social Responsibility: An Explorative Review", *Journal of Accounting and Finance*, Vol.26, No.1, October 2011- March 2012, pp. 13-19.
10. YisauAbiodunBabalola (2012) "The Impact of CSR on Firms" profitability in Nigeria", *European Journal of Economics, Finance & Administrative Sciences*, ISSN 1450-2275 Issues 45 (2012).
11. Martin Surya Mulyadi and YunitaAnwar(2012) "Impact of Corporate Social Responsibility Towards Firm value & Profitability", *Business Review*, Cambridge, Vol. 19, No. 2, Summer 2012.
12. HurratulMaleka Taj (2011) "Social and environmental issues- corporate social responsibility, sustainable development: performance measures and indicators", *Journal of Accounting and Finance*, Vol. 25, No.2, April-September 2011, pp. 93-99.
13. LokaranjanGuha (2011) "Corporate social responsibility rating: India focus", *The IUP Journal of Management Research*, Vol. 10, No.3, pp. 28-41.

14. Sweta Singh (2010) "Philanthropy to Corporate social responsibility: An Indian Perspective", Review of International Comparative Management, Vol. 11, Issue 5, December, pp. 990-1000.
15. RichaGautam and Anju Singh (2010) " Corporate social responsibility practices in India: A study of top 500 Companies", Global Business and Management Research: An International Journal (GBMR), Vol. 2, No.1, 2010, pp. 41-56.
16. Timothy M. Devinney(2009) "Is the socially responsible corporation a myth? The good, the bad and the ugly of corporate social responsibility", Academy of Management Perspectives, Vol.23 No.2, May, pp.44-56.
17. B. Arora and R. Puranik(2004), "A review of corporate social responsibility in Indian development", Vol.47 No.3,pp.93-100.