



## **Corporate social responsibility in Indian organization: A conceptual framework**

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### **Abstract**

Corporate Social Responsibility is a way of conducting business, which makes corporate entities socially responsible citizens, visibly contributing to the social good. In Indian organizations, the concept of corporate social responsibility has gained an unprecedented importance. A paradigm shift from corporate philanthropist to being socially responsible can be easily noticed in the Indian Companies. Indian companies have realized that government alone cannot get success in its endeavor to uplift the society. With the rapidly changing business environment, many large organizations have set up their separate corporate social responsibility wings as a strategic tool to achieve the objective of inclusive business growth. Presently many Indian companies have incorporated their corporate social responsibility initiatives in their annual reports. The present research paper is an attempt to analyze the current CSR status and its progress in India. The paper presents a comprehensive introduction to corporate social responsibility including information about various CSR models and policies governing the CSR in India. The research paper further tries to disseminate information about the latest happenings in the CSR field and suggestions for accelerating CSR initiatives. The research paper is an attempt of exploratory research based on the secondary data sourced from journals, magazines, articles and media reports.

**Keywords:** corporate social responsibility, stakeholder, social responsibility

### **Introduction**

The World Business Council for Sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts used the following definition.

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

In India, the concept of CSR comes into existence by the efforts of Tata group. Since then it has gained a paramount importance in the Indian organizations. Indian companies have realized that government alone cannot get success in its endeavor to uplift the society. With the rapidly changing business environment, many large organizations have set up their separate Corporate Social Responsibility wings as a strategic tool to achieve the objective of inclusive business growth. Many companies in India have made corporate social responsibility as an integral part of their operations. In India corporate social responsibility initiatives are linked with improved corporate reputation, shareholder value, employee relations, their retention and improved relationships with the local community. But still In India CSR is an entry point for understanding a number of firm-related and societal issues. Ministry of Corporate Affairs has come up with voluntary guidelines for firms to follow. Companies in India have quite been proactive in taking up CSR initiatives and integrating them in their business processes.

In spite of this, there are certain problems which need attention. The current research paper is an effort to give an understanding of the various CSR models, the present implementation status of corporate social responsibility in Indian organization. The paper is an attempt to find out

challenges in CSR implementation and recommendations for effective implementation of CSR are also discussed.

### **Objectives of the Research**

The purpose of this study to explore the concept of Corporate Social Responsibility.

### **Research Methodology**

The research paper is an attempt of exploratory research, based on the secondary data taken from published sources like: journals, magazines, articles and media reports.

### **Concept of Corporate Social Responsibility**

The concept of Corporate Social responsibility has extended and wide range history. It started in 1950s. During that period corporate social responsibility was defined as an obligation to society (Bowen, 1953) <sup>[1]</sup>. In 1970's stress on inclusion of stakeholders, public expectations and utilization of corporate social responsibility for long term benefits of society. In 1980's stakeholder's theory by Freeman (1984) <sup>[3]</sup> stated the role of stakeholders in promoting social responsibility. Definitions during this period highlighted the relationship between corporate social responsibility and profitability. The triple bottom line approach to CSR by Elkington, 1997 emphasizes a company's commitment to operating in an economically, socially and environmentally sustainable manner. The emerging concept of CSR advocates moving away from a 'shareholder alone' focus to a 'multi-stakeholder' focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment and society at large. The concept of CSR has gained global prominence in the last ten to fifteen years. Now in this modern globalized era, business can not operate in isolation. So organizations

need to prove that they do not only focus on earning huge profits for their stakeholders but also put efforts to increase social value.

### Corporate social responsibility Model

#### 1. Ethical Model (1930 – 1950)

One significant aspect of this model is the promotion of trusteeship that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

#### 2. Statist Model (1950 – 1970s)

Under the aegis of Jawaharlal Nehru, this model came into being in post independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities

#### 3. Liberal Model (1970s – 1990s)

The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

#### 4. Stakeholder Model (1990 – Present)

The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below:

### Current implementation status of corporate social responsibility in Indian Organizations:

India has one of the world’s richest traditions of CSR. Though the formal usage is new on international scene but deep roots of CSR in Indian business community can not be denied. Industrial dynasties Like Tata’s, Birla’s and Ambani’s are following the concepts of nation building and trusteeship for last many years.

In India there is surprisingly high level of disclosure particularly from large companies. A recent article in Harvard Business Review by Dr. Cappeli commends Indian Companies for their social mission. The research covered 100 business leaders of top Indian companies and comes out with the finding that every executive interviewed described the main objective of their company in terms of a social mission. The article draws on the examples of Bharti Airtel, ICICI Bank, Dr. Reddy’s Pharma and INFOSYS among many other Indian companies. Of course the TATA’s who also make steel finds special mention for spending 65% of their profits for charity purposes. Though many large companies have undertaken variety of CSR practices, but many are there who have not yet given any due importance to their social responsibilities.

Recently passed Company Bill 2013 which replaced 1956 Companies Act has made CSR spending and reporting more stringent. The bill makes provisions to constitute a corporate social responsibility committee (Ministry of law & justice, 2013)

Clauses 134 & 135 of the act specifies that cos. with net worth of Rs. 500 Crores or more or turnover of more than Rs. 1000 Crores or net profit more than Rs. 5 crores are required to constitute a CSR committee to formulate CSR policy for company. Now it is obligatory on companies to spend a minimum of 2% of average net profit earned during preceding 3 years before formulation of policy. (Singh and Agarwal, 2013) <sup>[4]</sup>

Further, Section 7 of Company bill has considerably widened the ambit of CSR activities which now include poverty eradication, promotion of education, gender equality and women empowerment, reducing child mortality and improving maternal health combating AIDS/HIV, malaria & other diseases. Ensuring environment, sustainability, employment, enhancing vocational skills and social business projects. Relief and funds for socio economic development such as for welfare of SC/ST, OBC’s, minorities and women.

### CSR Implementation Challenges

There are various challenges which the companies in different parts of India are facing These are given as follows:-

- 1. Growing environmental pressure:** India is not endowed with sufficient natural capital in comparison with its population. Though India is home to 18% of the world population, it only has 2.4% of the planet’s landmass, 4% of the fresh water resources and about 1% of world’s forest. India’s eco system are already highly degraded one can observe that how the water quality is unfit for direct5 human beings. The country continuous to stay on the brink of ecological crises.
- 2. Corruption:** Corruption in India is high profile issue. Wealthy people always focus on their own benefits and poor remained in poverty.
- 3. Populations demographics:** Even after 66 years of independence youth is still educated and unemployed.
- 4. Role of Technology:** The role of technology has also entered the CSR arena, particularly in Nano and Biotechnology which has the potential to meet so many global challenges. They also brought with them their own set of environment and social risk.
- 5. CSR as a marketing tool:** Most of the companies are using corporate social responsibility as a marketing tool to spread a word about their company but they are least bothered about doing well for society. They are looking up for their own benefits.
- 6. Governance and change:** Finally in what way government and business interact. Now it will depend on the government regulations that how the companies will undertake its CSR practices in coming days.

### Conclusion

In the present scenario, many companies are undertaking a variety of CSR practices. They are also reporting their CSR practices in their annual reports. From the annual reports, it has been seen that the companies engaged in corporate social responsibility typically focus on the social causes,

healthcare, education, infrastructure development, women empowerment, community development, protection of environment and national heritage. But still there are certain areas which are untouched. In order to survive in this era, they need to focus on future trends in corporate social responsibility like electricity generation, pollution, biodiversity protection, employee engagement and volunteerism. Although the concept of corporate social responsibility is adapted by many organizations, but still there are number of challenges which companies have to face for effective implementation of corporate social responsibility like corruption, lack of precision, clearly defined focus area etc.

The present paper focused upon the concept of CSR, various models, current status of CSR in India and various CSR challenges. Now the government has made it mandatory for the companies to spend a minimum of 2% of average net profits earned during preceding three years if they have net worth of Rs.500 crores or more or turnover more than Rs.1000 crores or Net profits more than Rs. 5 crores. Hopefully with this mandate Indian organization will start focusing on social good then considering CSR as a promotion tool.

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