



Corporate social responsibility: Growth and development

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Abstract

Business should not only be responsible morally to the stakeholders but also to the society, environment and towards a sustainable plant at large. CSR is continuous commitment by businesses to behave ethically & contribute to economic development while improving the quality of life of the workforce & their families and the society at large. CSR emphasizes obligation & accountability to society, action, outcomes, results etc. it is beneficial for human resource risk management and business development. India's new company act 2013 has introduced several new provision which change the face of Indian corporate business. One of such new provision is CSR. Ministry of corporate affairs has recently notified section 135 and schedule VII of the companies act as well as the provision of the companies CSR, rule, 2014 which has come into effect from 1st April, 2014. In this paper we will outline effective use of CSR, arguments in favor& against of CSR and how business will grow by using CSR.

Keywords: CSR, corporate sustainability, ethical, responsibility

Introduction

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relations. A business enterprise should do business and earn money in ways that fulfill the expectations of the society. Every individual living in society has certain obligation towards society. He has respect social value norms of behavior. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

Objectives of the study

- a) To study effectiveness of corporate social responsibility
- b) To outline function of CSR
- c) To study dimensions of CSR
- d) To review obstacles in CSR
- e) To check recent trend of CSR in India

Research methodology

- The descriptive methodology has been use to collect data
- Secondary data has been collected from various published source and website
- The explanation of data is more qualitative than on quantitative term

Overview of CSR

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014. With effect from April 1, 2014, every company, private

limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility 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 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

The net worth, turnover and net profits are to be computed in terms of Section 198 of the 2013 Act as per the profit and loss statement prepared by the company in terms of Section 381 (1) (a) and Section 198 of the 2013 Act. While these provisions have not yet been notified, it has been clarified that if net profits are computed under the Companies Act, 1956 they needn't be recomputed under the 2013 Act. Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the CSR obligations would not be included in the computation of net profits of a company. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years.

Effectiveness & Importance of CSR

India has the world's richest tradition of corporate social responsibility. Corporate social responsibility allows organizations to do their bit for the society, environment, employees, investors, customers or for those matter stake holders. A business enterprise should do business and earn money in ways that fulfill the expectations of the society. Every individual living in society has certain obligation towards society. He has respect social value norms of

behavior. Let us go through the effectiveness of corporate social responsibility.

1. Long-Term Growth

Corporate social responsibility functions help a company ensure long-term, sustainable financial health. Committing to sourcing inventory and materials in a sustainable, environmentally-friendly way ensures that the company won't run out of resources in the future for developing products. Executives who receive quarterly or annual performance-based incentives -- a common practice among corporations -- often focus primarily on a company's short-term financial results. While this is an important component ensuring profitability, it doesn't necessarily mean that profits are sustainable for the long-term.

2. Brand Image

Investing in the community and supporting local organizations can set a business brand apart from the rest. Responsible business practices can improve public perception of a company's brand, which can increase its customer base and overall sales. It can also garner interest from investors that only invest in socially-responsible companies

3. Employee Honesty

Corporate social responsibility helps companies attract and retain top-quality talent. McKinsey & Company, a consulting firm, notes that employees increasingly look for employers that display ethical behavior and have values that align with their own. The firm notes that a variety of companies saw employee motivation and loyalty increase after engaging them in corporate social responsibility initiatives, and these companies felt they were able to obtain better-quality employees as a result.

4. Cost Benefits

Sustainable business practices can benefit a company's bottom line as well as the environment. Forbes points out that by developing products that use less energy or less packaging, a company can also save on utility bills and materials expenses. One notable example is General Mills, which is on track to reduce energy consumption by 20 percent after installing energy-monitoring meters on various equipment.

5. Improving Employee Relationship

Corporate volunteerism can be a great experience on an individual level. Giving your employees the chance to engage in worthwhile pursuits and offer their skills to non-profit organizations. Few things in life are as rewarding as contributing to the greater good.

Offering opportunities for corporate volunteerism can increase employee loyalty and job satisfaction, Boost employee engagement, Create a knock-on effect that improves productivity, Give employees the chance to develop new skills & Improve morale and motivation

There are almost too many benefits of CSR. So just focus on giving back to the community, and let everything else fall into place. It's simply one of the more rewarding ways to grow your business.

Functions of CSR for Organisation

The United Nations Industrial Development Organization notes that common corporate social responsibility functions include:

- Responsible sourcing of materials and supplies
- Employee, vendor, customer and community engagement and relations
- Adherence to labor standards
- Environmental protection and management
- Anti-corruption measures
- Upholding social equity, gender equity and other human rights goals
- Conservation of resources, like water and energy, in production

Dimensions of CSR



Fig 1

1. Discretionary or Philanthropic Responsibilities

If a company is able to meet all of its other responsibilities, it can begin meeting philanthropic responsibilities. Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society -- for example, by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes.

2. Ethical Responsibilities

Economic and legal responsibilities are the two big obligations of a company. After a company has met these basic requirements, a company can concern itself with ethical responsibilities. Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it's the right thing to do -- not because they have an obligation to do so. Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries.

3. Legal Responsibilities

A company's legal responsibilities are the requirements that are placed on it by the law. Next to ensuring that company is profitable, ensuring that it obeys all laws is the most important

responsibility, according to the theory of corporate social responsibility. Legal responsibilities can range from securities regulations to labor law, environmental law and even criminal law.

4. Economic Responsibilities

A company's first responsibility is its economic responsibility -- that is to say, a company needs to be primarily concerned with turning a profit. This is for the simple fact that if a company does not make money, it won't last, employees will lose jobs and the company won't even be able to think about taking care of its social responsibilities. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable.

Obstacles & Solution to CSR

i) Lack of human resources

Many SMEs claim that they lack the human resource that they can assign to CSR practices. In addition, many management systems being used by SMEs are very unproductive, inefficient and wasteful of human resources. In order to develop good CSR policies and practices, business should focus on recruiting/training staff that will be able to head and develop CSR initiatives.

ii) Lack of awareness

It is a fact that many Organizations have little knowledge of CSR. SME owners and managers often do not fully comprehend the demands from the stakeholders and therefore do not fully realize how much they value CSR. In some cases, SMEs may have a greater understanding of CSR issues but lack understanding on how to begin implementing a CSR program. Finally, there is significant ignorance about the benefits that can be gained from good CSR practices. Business should invest in programs of creating awareness about the importance of CSR.

iii) Competing multiple requirements and codes of conduct

A major concern for many business owners and managers is connected to competing codes of conduct from different customers. Such duplication is expensive and frustrating to suppliers. To avoid this, business should help customers agree on common standards to be adhered to.

iv) Increasing Cost

Business constantly faces the challenge of tighter budgets brought about by rising costs of material, energy and wages. Therefore, most are unable to spend much money on CSR initiatives. However, CSR activities can be carried out at any level. Even if business has limited funds, it could create a separate CSR budget so as to ensure unnecessary expenditures are avoided. Selection of appropriate, low cost initiatives will enable to carry out CSR activities with limited budget of business.

v) More emphasis on inspections and cheating

Many SMEs are guilty of not complying with codes of conduct. Many SME owners and managers have the perception that they cannot do business and make profits while adhering to codes of conduct and regulation. Your

business, however, does not have to 'cut corners' to remain in business. It needs to dialogue with key stakeholders and find a balance between making profits and full implementation of CSR codes of conduct.

Recent Trends of CSR in India

FY 2015-16 witnessed a 28 percent growth in CSR spending in comparison to the previous year. Listed companies in India spent US\$1.23 billion (Rs 83.45 billion) in various programs ranging from educational programs, skill development, social welfare, healthcare, and environment conservation. The Prime Minister's Relief Fund saw an increase of 418 percent to US\$103 million (Rs 7.01 billion) in comparison to US\$24.5 million (Rs 1.68 billion) in 2014-15.

The education sector received the maximum funding of US\$300 million (Rs 20.42 billion) followed by healthcare at US\$240.88 million (Rs 16.38 billion), while programs such as child mortality, maternal health, gender equality, and social projects saw negligible spend. In terms of absolute spending, Reliance Industries spent the most followed by the government-owned National Thermal Power Corporation (NTPC) and Oil & Natural Gas (ONGC). Projects implemented through foundations have gone up from 99 in FY15 to 153 in FY16 with an increasing number of companies setting up their own foundations rather than working with existing non-profits to have more control over their CSR spending. 2017 CSR spends are predicted to further rise with corporates aligning their initiatives with government programs such as Swachh Bharat (Clean India) and Digital India to foster inclusive growth.

Examples of CSR in India

i) Ultratech Cement

Ultratech Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare, and sustainable livelihood.

The company has organized medical camps, immunization programs, sanitization programs, school enrollment, plantation drives, water conservation programs, industrial training, and organic farming programs.

ii) ITC Group

ITC Group, a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focusing on creating sustainable livelihood and environment protection programs. The company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their e-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. Its social and farm forestry program assists farmers in converting wasteland to pulpwood plantations. Social empowerment programs through micro-enterprises or loans have created sustainable livelihoods for over 40,000 rural women.

iii) Mahindra & Mahindra

Indian automobile manufacturer Mahindra & Mahindra (M & M) established the K. C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programs to assist economically and socially disadvantaged communities. CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. M & M runs programs such as Nani Kali focusing on girl education, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

iv) Tata Group

The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions.

The group also engages in healthcare projects such as facilitation of child education, immunization and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programs, environment protection, providing sport scholarships, and infrastructure development such as hospitals, research centers, educational institutions, sports academy, and cultural centers.

Conclusion

The concept of corporate social responsibility 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. For the CSR law to meet its objective, it is important that the companies should not view the CSR obligation as an onerous reporting requirement and as a necessary cost of doing business in India, but should consider it as an opportunity to create positive impact in the communities where they work and the communities they affect. Corporate social responsibility allows organizations to do their bit for the society, environment, and customers or for those matter stake holders. Corporate social responsibility in a way also plays a crucial role in the progress of the society, which would at the end of the day benefit us only.

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