

## **Corporate Social Responsibility and Development in India: A Review**

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**Abstract**

*Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is the deliberate inclusion of public interest into corporate decision making, and the honoring of People and Profit, the role corporates can play in bringing about positive change in the area of human development and social inclusion. CSR is no longer seen as corporate social assistance or philanthropy, but as essential to a good business strategy, helping reduce investment risks and enhancing business profits by improving transparency and accountability. It is about working together with government, with civil society, and with the community to improve the lives of millions of people by making growth more inclusive. In this context the present paper will discuss the role of CSR in the development of India with taking some corporate examples.*

**Key words:** *Corporate social responsibility, Philanthropy, Government, Civil society, development*

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## **Introduction**

The term “corporate social responsibility” became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed. Actually, CSR refers to a business practice that involves participating in initiatives that benefit society. But nowadays, CSR is a highly misunderstood & misinterpreted term in India. Some Indian corporate companies believe that merely complying with laws & regulations fulfills their need for social responsibility. A responsible corporate recognizes that its activities have wider impact on the society in which it operates. Therefore, it takes account of the economic, social, environmental & human rights impact of its activities on all the stakeholders. Although India is a favorable business destination for western investors. It is to be tremendously challenging for any business to remain competitive here in the long term. Unless poor people have equity in the growth of economy, India can never be a “ Super Economy”. Here comes the critical role of corporations. CSR is one such niche area of corporates & governance that needs to get aggressively addressed & implemented considerately in the organizations. At the same time, CSR is one effective tool that synergizes the efforts of corporate & the social sector agencies towards sustainable growth & development of the societal objectives at large.

Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self -regulation integrated into a business model. CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision making, and the honoring of People and Profit.

### **Definition of corporate social responsibility (CSR)**

Corporate Social Responsibility (CSR) is often defined as corporate responsibility, corporate citizenship, social enterprise, sustainable development, triple-bottom line, corporate ethics, and in some cases, corporate governance. What binds these terms together is the expectation that corporates (private and public enterprises alike) behave ethically vis-à-vis a broad group of stakeholders - workers and their

families, communities and the wider society.

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

### **Concept of CSR**

CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Moreover, CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatever the definition is, the purpose of CSR is to drive change towards sustainability.

Although some companies may achieve remarkable efforts with unique CSR initiatives, it is difficult to be on the forefront on all aspects of CSR. Considering this, the example below provides good practices on one aspect of CSR – environmental sustainability.

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Key CSR issues: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

### **How CSR is beneficial to companies?**

- **Consumers are socially conscious** - Many consumers actively seek out

companies that support charitable causes. Therefore CSR attracts customers.

- **Competitive advantage** - Businesses that show how they are more socially responsible than their competitors tend to stand out.

- **Boosts employee morale** - CSR practices have a significant impact on employee morale, as it reinforces his confidence on Company's empathy.

### **Importance of CSR**

Today's consumers hold companies to a higher standard. They're looking for more than just material products or quality services when choosing a company to work with: Nine in 10 consumers expect companies to not only make a profit, but also operate responsibly to address social and environmental issues, according to a study by [Cone Communications](#). Eighty-four percent of global consumers also said they seek out responsible products whenever possible.

Recognizing how important social responsibility is to their customers, many companies now focus on and practice a few broad categories of corporate social responsibility (CSR).

**1. Environmental efforts:** One primary focus of corporate social responsibility is the environment. Businesses regardless of size have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society as a whole.

"European companies have really led the way on environment efforts, such as green energy usage, eco-friendly office and travel policies, and ensuring that businesses take a responsibility for controlling if their net impact is positive or negative," said Richard Stevenson, head of corporate communications at ecommerce platform.

**2. Philanthropy:** Businesses also practice social responsibility by donating to national and local charities. Businesses have a lot of resources that can benefit charities and local community programs.

**3. Ethical labor practices:** By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States.

**4. Volunteering:** Attending volunteer events says a lot about a company's sincerity. By doing good deeds without expecting anything in return, companies are able to express their concern for specific issues and support for certain organizations.

### **Methodology of CSR**

CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business:

- Customers
- Suppliers
- Environment
- Communities
- Employees

The most effective CSR plans ensure that while organizations comply with legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable – involving activities that an organization can uphold without negatively affecting their business goals.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programs and set separate budgets to support them. Most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

### **Corporate Social Responsibility in India**

In [India](#), as in many other countries facing similarly large development challenges, the discourse around CSR is increasingly about the crucial role corporates can play in bringing about positive change in the area of human development and social inclusion. CSR is no longer seen as corporate social assistance or philanthropy, but as essential to a good business strategy, helping reduce investment risks and enhancing business profits by improving transparency and accountability. It is about working together - with government, with civil society, and with the community - to improve the lives of millions of people by making growth more inclusive.

All the Business houses and corporate have been taking up social welfare activities from time to time. While CSR is relevant in business for all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging. CSR interventions-based on commitment, mobilization of employees-voluntarism, innovative approaches, appropriate technology and continuing partnership-have been making lasting differences in the life of the disadvantaged. Further, synergy of corporate action with the government and the civil society are making the CSR interventions more effective and facilitating the corporate carrying on business in the society.

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### **India at the forefront**

India has gone further than any other country. In 2013, it enacted [Section 135](#) of the Indian Companies Act prescribing a mandatory “CSR spend of 2% of average net profits ... during the three immediately preceding financial years” for all companies meeting specified financial thresholds. In other words, companies “having net worth of rupees five billion or more, or turnover of rupees ten billion or more or a net profit of rupees fifty million or more during any financial year” have to ensure that they spend 2% of average net profits made during the three preceding years on CSR activities.

CSR in India got the legal backing by virtue of section 135 of companies Act 2013. Section 135 of companies Act 2013 came into force from April 2014.

#### **Applicability of CSR:**

The corporate social responsibility provision is applicable to companies with:

- Annual turnover of 1000 Crores or more or
- Net worth of 500 Crores or more or
- Net profit of 5 Crores or more

To spend two percent of their average profits in the previous three years on Corporate social responsibility activities.

The activities which can be undertaken by a company under CSR activities have been specified under Schedule VII of the Act .one of the activities specified under schedule VII is environment sustainability.

#### **Activities carried through CSR**

CSR is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as

- Eradicating hunger, poverty & malnutrition
- Promoting education
- Improving maternal & child health
- Ensuring environmental sustainability
- Protection of national heritage

- Measures for the benefit of armed forces
- Promoting sports
- Contribution to the Prime Minister's National Relief
- Slum area development etc.

### **World Bank Initiation**

World Bank seeks to strengthen the collaboration between corporate business strategies and national development priorities by supporting the Government of India's Ministry of Corporate Affairs (MCA) in its efforts to develop the CSR activities of corporate enterprises. World Bank support is channeled through the Ministry's Indian Institute of Corporate Affairs (IICA) for the private sector and the Department of Public Enterprises (DPE), Government of India for state owned enterprises.

The main objective of the World Bank's support in the form of ongoing technical assistance - is to foster an enabling environment for the corporate sector to work towards social inclusion and the achievement of the Millennium Development Goals in partnership with government, non-government organizations, civil society organizations and communities. The cornerstone of this assistance is the World Bank's ability to facilitate the sharing of best international practice - from both developing and industrialized countries - to inform India's growing CSR agenda. Key areas of engagement include: analytical activities, institutional design, shareholder consultations, capacity building and knowledge sharing.

### **CSR Significance in India**

CSR as a strategy is becoming increasingly important for India today because of three identifiable trends:

1. **Changing social expectations:** Consumers and society in general expect more from the companies whose products they buy.
2. **Increasing affluence:** This is true within developed nations, but also in comparison to developing nations. Affluent consumers can afford to pick and choose the products they buy.
3. **Globalization:** Growing influence of the media sees any mistakes by companies brought immediately to the attention of the public.

### **Potential business benefits of CSR**

The nature of benefits of CSR for any organization can vary depending on the nature of the enterprise. The business case for CSR within a company will likely rest on one or more of these arguments.

#### **1. Human resources**

A CSR programme can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's

CSR policy during an interview, and having a comprehensive policy can give an advantage.

## **2. Risk management**

Managing risk is a central part of many corporate strategies. Reputation as take decades to build up can be ruined in hours through incident such as corruption scandals or environmental accident. These can draw unwanted attention from regulators, courts, governments & media. Building a genuine culture of doing the right thing within a corporation can offset these risk.

## **3. Brand differentiation**

In crowded market places, company's striving for a unique selling proposition. That can separate them from the competition in the minds of consumers. CSR can play role in building customer loyalty based on distinctive ethical values.

## **4. License to operate**

Corporation are keen to avoid interference in there business through taxation. By taking substantive voluntary steps, they can pursuit governments that they are taking issues such as health & safety, diversity, or the environment seriously as good corporate citizen for positive impact on the environment.

### **Effects of CSR legislation**

- **More spending** - The private sector's combined charitable spend increased from 33.67bn rupees in 2013 to around 250bn rupees after the law's enactment.
- **Mainstreaming Charity** - It has brought CSR from the fringes to the boardroom. Companies now have to think seriously about the resources, timelines and strategies needed to meet their legal obligations.
- But it also has its shortcomings.
- **Non-compliance** - A survey found that 52 of the country's largest 100 companies failed to spend the required 2% last year.
- A smaller proportion has gone further to allegedly cheating by giving donations to charitable foundations that then return the fund minus a commission.
- **Roll back** - Charitable spending was used as a big reputation builder for family-led conglomerates with a long tradition of philanthropy. Now it's just about legal compliance. Many companies that were giving more than 2% have scaled back their spending.
- **Inequality** - One of the challenges for the corporate sector is finding credible charity partners to support. So the bigger charities that are more well-known are being flooded with money leaving out smaller charities.
- Compounding the problem is that smaller charities often lack the capacity to cope with companies' bureaucratic and operational demands.



· **Geography** - There is also a geographic bias under the 2% law, with companies funding projects closer to where they are based. Therefore more industrialised states are winning over poorer, more remote regions where development aid is acutely needed.

· **Politics** - Some companies looking to gain goodwill by backing government-led projects rather than independent initiatives.

### **CSR: Examples in India**

#### **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.

#### **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 Nanhi Kali focusing on girl education, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

#### **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.

### **CSR Trends in India**

Financial Year 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.

### **Going forward**

The Government of India's recent Companies Bill is a significant development in the country's efforts to move forward on the CSR agenda. Formulated by the Ministry of Corporate Affairs, the Bill places human development front and center of the CSR agenda and specifies that it is an important area for corporates that warrants Board-level leadership. Under the Bill, all profit-making companies will be required to spend two per cent of their average net profit of the previous three years on CSR activities. The norm is valid only for companies with net worth of Rs.500 crore or more; or a turnover of Rs.1,000 crore or more; or a net profit of Rs.5 crore or more, during the previous three financial years. The National Foundation for CSR (NFCSR) will take the lead on CSR work by creating advocacy and capacity building platforms. The NFCSR will also develop reporting guidelines on CSR in light of the new Bill. The discourse around CSR is moving strategically towards social inclusion and human development.

### **Conclusion**

CSR Movement aimed at encouraging companies to be more aware of the impact of their business on the rest of society, including their own stakeholders and the environment.

CSR is a culture and unwritten contract with the community. This invisible culture can shape a brighter future for nations. If employees don't see the point of CSR initiatives, or understand the message, initiatives are unlikely to be effective. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the down trodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept- CSR. 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. Section 135 of the companies Act, giving legal backing to Corporate Social responsibility is a welcomed step towards holistic development. Corporate social responsibility play a Important role in attaining the goal of sustainable development It has its advantages and it also suffers from certain demerits. If the following suggestions are adopted it will help in better implementation of Corporate Social responsibility.

The Indian corporate sector are planning to introduce CSR in the small and medium enterprises (SME) sector to increase its reach in remote areas. Also some companies has already started using the CSR as a strategy, which aims at mutual development of company and the community simultaneously.

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