

A Critical Analysis of Corporate Social Responsibility in India

Dr. Prakash Deshmukh

**Director, Yashwantrao Chavan Maharashtra Open University, Nashik
(Maharashtra)**

Introduction

This is the time of industrialization and commercialization of the entire service sector. All the Companies are moving forward for the profit maximization and the profit which they are gaining it is from the society so the companies must take it as obligation towards the society which is to be repaid in terms of social banking towards the benefit of society. This social Banking means to contribute for the society while conducting the work within the boundary of ethics and that is called Corporate Social Responsibility. The CSR practices have been started a long time ago but in India its speed of implementation were very slow. At present there is an increasing awareness about CSR, Sustainable Development and Non-Financial Reporting, the credit goes to RBI in focusing the CSR practices in Indian Banking Sector, by passing a circular in the year 2007, December, directed banks to undertake CSR initiatives for sustainable development. Kotler and Lee define CSR as "Corporate social responsibility is a commitment to improve community well-being through discretionary, business practices and contribution of corporate resources. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility" CSR is an entry point for understanding a number of firm-related and societal issues and responding to them in a firm's business strategy. However, there is a universal and prominent view on protecting the environment and stakeholders' interests. Emerging economies like India have also witnessed a number of firms actively engaged in CSR activities, and the 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. While proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth

Objectives

- 1) To study the concept of CSR
- 2) To analyse progress of CSR in India.
- 3) To trace the challenges of CSR in India
- 4) To draw conclusion based on available secondary data

CSR in India

| Phase | Key Thrust | Key strategies |
|-------------------------|--|---|
| Phase I (Till 1914) | CSR motivated by charity and philanthropy | The oldest form of CSR was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process. |
| Phase II (1914-1960) | CSR for India's social development | Dominated by the country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship for consolidation and amplification of social development. Gandhi's reform programs which included activities that sought in particular abolition of untouchability, women's empowerment and rural development. |
| Phase III (1960-1980) | CSR under the paradigm of the mixed economy | The paradigm of mixed economy with the emergence of legislation on labour and Environmental standards, affected the third phase of Indian CSR This phase Is also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities. |
| Phase IV (1980 onwards) | CSR at the Interface between philanthropic and business approaches | 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. |

Source: Based on Survey of Literature on CSR and Sundar (2000)

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.

Statist Model (1950 – 1970s): Under the aegis of Jawaharlal Nehru, this model came into being in the 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.

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.

Stakeholder Model (1990 – Present): The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfil. The model expects companies to perform according to "triple bottom line" approach.

Issues & Challenges

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The

change is named as social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

The Shrinking Role of Government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Growing Investor Pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility.

Competitive Labour Markets

Employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Supplier Relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation. Dr Ratnam said the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprises expectations can also vary.

Conclusion

Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in „spending□ on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders□ objectives

References

- 1) RBI Notification.(2007) .CSR in Indian Banks, Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting- Role of Banks,RBI/2007-08/216:DBOD No Dir.BC.58/13.27.00/2007-08,Dec.20.
- 2) Kotler, Philip and Nancy Lee. Corporate Social Responsibility: Doing the most good for your business New Jersey: John Wiley & Sons, Inc. 2005.
- 3) Sunder, “Beyond Business: From Merchant Charity to corporate citizenship,” New Delhi: Tata McGraw-Hill, 2000
- 4) http://www.cuts-international.org/pdf/Draft-CSR_Rules_2013.pdf