Role of CSR in Social Development of Our Country

Dr. R. Ramaabaanu; Mr. R. Murukesh; Ms. A. Narmatha,
Associate Professor in Commerce, Muthayammal College of Arts and Science, Rasipuram, Namakkal District.

M.Phil - Research Scholar in Commerce, Muthayammal College of Arts and Science, Rasipuram, Namakkal District.

Mail Id: corru@muthayammal.in; Mail Id: parkkvanmurukesh@gmail.com

Mail Id: narmathaharshini97@gmail.com

Abstract

Corporate social responsibility (CSR) refers to strategies corporations or firms conduct their business in a way that is ethical, society friendly and beneficial to development of our country. This article analyses the meaning of CSR based on some theories available in literature. It is argued that three theories namely utilitarian, managerial and relational theories of CSR supported by works of other scholars in the area could be used to suggest that CSR becomes an international concern due to globalized nature of business that knows no border. CSR is evolving in its meaning and practice. The article then discusses the role of CSR in development of our country because the very logic of CSR is towards seeing its impact in socially, environmentally and economically.

Competencies required by CSR managers are also analyzed in order to have a better understanding of the practical aspects of CSR.

Key Words: Corporate social responsibility, CSR development, Competencies of CSR managers, Multinational corporations, Corporate-society relations

INTRODUCTION

Today, we live in an age in which companies, businesses and society are more connected and interactive than ever before in the past. Corporations are more aware of their role towards the society. They are responsible bodies that feel a sense duty towards commonwealth and the environment that comes with a growing realisation that they, as an integral part of this society themselves, can contribute to its upliftment and empower of the entire
country in turn. consumers and citizens' campaigns can make all the difference. This is the foundation thought behind the golden handshake between tripartite—companies, society and nation Corporate Social Responsibility.

CSR is a crucial bridge between organizations and society and also a means to create awareness amongst corporates, NGOs, Civic bodies and government of the value and importance of social responsibility to bridge the gap between the privileged and the disadvantaged of society. It facilitates and creates the environment for true good partnership between civil society and business. More and more companies and organizations are creating an interface to encourage industry commerce and globalisation that can, in turn, improve the bottom line by social good.

Corporate Social Responsibility (CSR) is the soul of every business these days. It has also become the password to not only overcome competition but to ensure sustainable growth. It has been supported not only by the shareholders but stakeholders by and large encompassing the whole community. CSR in truth is the alignment of business operations with social values. It takes into account the interests of stakeholders in the company's business policies and actions. It focuses on the social, environmental, and financial success of a company - the so-called triple bottom line - with the aim to achieve social development while achieving business success. More importantly, CSR is the point of convergence of various initiatives aimed at ensuring socio-economic development of the community which would be livelihood oriented as a whole in a credible and sustainable manner. There does seem to be a glimmer of hope from the rapidly growing field of CSR and from the greater involvement of companies in providing private funds for relief.

The issue of corporate social responsibility (CSR) has been debated since the 1950s. Latest analyses by Secchi (2007) and Lee (2008) reported that the definition of CSR has been changing in meaning and practice. The classical view of CSR was narrowly limited to philanthropy and then shifted to the emphasis on business-society relations particularly referring to the contribution that a corporation or firm provided for solving social problems. In the early twentieth century, social performance was tied up with market performance. The
pioneer of this view, Oliver Sheldon (1923, cited in Bichta, 2003), however, encouraged management to take the initiative in raising both ethical standards and justice in society through the ethic of economizing, i.e. economize the use of resources under the name of efficient resource mobilization and usage. By doing so, business creates wealth in society and provides better standards of living.

The present-day CSR (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large.

CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability.

THE ECONOMY

After initiating far reaching economic reforms of deregulation and liberalization since 1991, India has undergone a paradigm shift. There have also been fundamental and irreversible changes in the economy, government policies, outlook of business and industry and in the mindset of Indians in general. From a shortage economy of food and foreign exchange India has now become a surplus one; from an agro based economy it has emerged as a service oriented one; it is now a front runner in the emerging knowledge based new economy; Indian companies have become globally competitive and 'Brand India' is getting global recognition. India has been recognized as an attractive investment destination for investment and a large and growing market for business. The fundamentals of the Indian economy have become strong and stable. The macro-economic indicators are at present the best in the history of independent India with
high growth, healthy foreign exchange reserves, and foreign investment and robust increase in exports and low inflation and interest rates. The unique feature of Indian economy has been high growth with stability.

The Indian economy has proved its strength and resilience when there have been crisis in other parts of the world including in Asia in recent years. India is rated as the fifth most attractive emerging retail market. It has been ranked second in a Global Retail Development Index of 30 developing countries drawn up by A. T. Kearney. The vibrant capital market comprises of 23 stock exchanges with over 9000 listed companies. The Bombay Stock Exchange is the second largest after NYSE and the stock market trading and settlement system are world class. India also has the third largest investor base in the world and also has one of the world's lowest transaction costs based on screen-based transactions, paperless trading and a T+2 settlements cycle. There has been consistent high growth in recent years and there are definite indications of continuation of this trend in the future. Presently, India is emerging as a global player in Information Technology and is in the forefront of the unfolding new era of Knowledge Economy, with its large pool of scientific and creative human resources and R&D facilities. There is a change in the mindset of Indians who have become more confident and outward looking. The Indian market is being driven by a powerful new force of entrepreneurship unleashed by the economic reforms and liberalization of recent years.

THEORIES OF CSR

Since there is a great heterogeneity of theories and approaches of CSR, discussion in this article is based on a comprehensive analysis by Secchi (2007) and it is compared with an analysis by Garriga and Mele (2004). Secchi has come up with a group of theories based on a criterion what role the theories confer to the corporation and society. The theories are as follows: 1) The utilitarian theory, 2) The managerial theory, and 3) The relational theory (see Table 1). On the other hand, Garriga and Mele’s (2004) analysis maps CSR into four types of territories. They are: 1) Instrumental theories, 2) Political theories, 3) Integrative theories, and 4) Ethical theories. Table 2 describes the theories and the relevant approaches.
There is no doubt that some similarities do exist in both conceptualizations of CSR and the discussion will be based on emphases and approaches.

There has been a burgeoning parallel interest in understanding the dynamics and peculiarities of CSR in developing economies (Blowfield and Frynas 2005; Newell and Frynas 2007; Idemudia 2011). Authors have contested the immediate transferability of frameworks and conclusions drawn in the developed world to developing countries and have argued for the need for a more nuanced analysis of how CSR manifests itself in emerging markets (Egri and Ralston 2008; Kolk and Lenfant 2010; Kolk and Van Tulder 2010). The context-dependence of CSR has indeed been re-emphasized in recent years and the fact that developing countries present peculiar institutional constellations that affect CSR manifestations is now well recognized (e.g. Jamali and Sidani 2012; Visser 2008). Scholars have suggested for example that philanthropy constitutes the main expression of CSR in the developing world whether because of prevailing cultural norms and expectations (Jamali and Neville 2011; Gao 2009).

THE FOUR PHASES OF CSR DEVELOPMENT IN INDIA

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it has been observed that their
efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions.

The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country.
became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

**The Fourth Phase**

The fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing (Gajare, R.S. (2014). A conceptual study of CSR development in India. In D.B. Patil & D.D. Bhakkad, Redefining Management Practices and Marketing in Modern Age Dhule, India: Atharva Publications (p. 152-154)). And able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

**Current State of CSR in India**

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.
Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations. Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a
change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

**Law**

Under the *Companies Act, 2013*, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

**AREAS OF CORPORATE SOCIAL RESPONSIBILITY**

CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability.

Managers should pay particular attention to their social responsibility that can be grouped under eight headings as fallows:

1) **Ecology and environment quality**
   - i) To maintain pollution – free environment.
   - ii) To ensure dispersion or spread of industries.
   - iii) To ensure beautification and proper land use.

2) **Consumption**
   - i) To provide true and fair business dealings.
   - ii) To provide product warranty and service.
   - iii) To ensure control of harmful products.
   - iv) Adequate information about product.

3) **Community needs**
   - i) To provide expert service for local problems.
   - ii) To ensure healthcare facilities and education.

4) **Government relations**
i) To encourage restriction on lobbying.
ii) Controls of business through political action.

5) **Minorities and backward communities**
   i) To provide training to the unemployed.
   ii) To provide equal employment opportunity.
   iii) To locate plants and offices in minority areas.
   iv) To encourage minority business by purchasing from them.

6) **Labor relations**
   i) To maintain improved occupational health and safety.
   ii) To ensure provision of day-care centers.
   iii) To provide options of flexible working hours.
   iv) Employee’s education and training practices.

7) **Shareholder relations**
   i) To take care of shareholders interests.
   ii) To make improved financial disclosures.

8) **Corporate philanthropy**
   i) To provide financial support for promotion of arts and culture.
   ii) To arrange for special scholarships and gifts for the education industry.
   iii) To provide financial support for charities.

**OBLIGATION OR RESPONSIBILITIES TOWARDS DIFFERENT GROUPS**

The Responsibilities of management towards various groups are discussed below:

   i) Business to owners or shareholders.
   ii) Business to customers.
   iii) Business to government.
   iv) Business to suppliers.
   v) Business to community.
   vi) Business to employees.
CONCLUSION

Roles of CSR in CD refer to the ways the responsible behavior is perceived by development and how impacts are felt by them. Sharing the costs the society has to pay due to environmental degradation, transfer of technology from international companies to developing countries, environmental protection measures that done together by corporation.

For many corporation leaders, it is difficult to know where their responsibilities begin and end in relation to building infrastructure, creating economic opportunities, and access to core services such as health, education and poverty alleviation. Experience has made one thing certain that sustainable CSR solutions at community, provincial and national levels are based on partnerships between government, civil society and business. Transferable skills and knowledge from other related specializations such as environmental management, business ethics, transfer of technology, human resource management and community development, are valued. In short, the skills required by CSR managers are classified as business skills, people skills and technical skills; and the specific skills required are further determined by the mission and vision of the organizations where the CSR managers serve.

CSR organizations in many developing countries including Malaysia consist of local and international firms. As such, this analysis suggests that comparative studies should be conducted on the differences between strategies adopted by the two firms in terms of emphases and orientations in CSR, the specific roles of CSR programs to community and society at large, and specific business, people as well as technical skills that the CSR managers should possess. It is also suggested that studies on how CSR firms strive during the present economic crisis are worthwhile to embark on; however, they should be aware of the fact that moving towards achieving firms’ economic goals should be without jeopardizing the social goals.

REFERENCES


