

The Role of Corporate Social Responsibility in Indian Emerging Markets

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Abstract

Corporate Social Responsibility (CSR) of an organization is the commitment to act legally and morally in pursuit of profit. CSR is a management concept whereby companies amalgamate social and environmental concerns in their business operations and interactions with their stakeholders. A number of companies by now consider corporate social responsibility as a platform for growth and differentiation. CSR acknowledges the organization's debt it owes to the community within which it operates. The aim of this study is to know the reasons of involving in CSR activities of the organization and to assess its contribution in country's economic development. This article takes a practical as well as philosophical approach in illustrating and explaining the concept of corporate social responsibility in a present-day large-scale business environment.

Keywords

Corporate Social Responsibility, Ethics, Economic Development, Sustainable Development, CSR Policy.

I. Introduction

The rapid economic growth of India in twenty first century has not been able to sufficiently lessen the on hand socio-economic disparity across the nation. India spends around 7% of its GDP on social sectors like health, resource development, education, etc. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. CSR engages in actions of some social service beyond the interests of the firm as required by law [1]. CSR is an important element of development because organizations need to take care of their communities, particularly those functioning in rural areas[2]. Government has introduced CSR because they want corporate to become more accountable for the society or for its stakeholders itself. The involvement of CSR may be in any of the sectors like education, health, upliftment of the societies, environment, etc.

Corporate Social Responsibility is not only limited towards clients but also towards their employees, suppliers, investors /shareholders and government as all of them actually form a society surrounded with an interactive atmosphere[3]. In a failed society, business cannot succeed and CSR is being considered as vital for carrying on trade in the society rather than as a charity [4]. Government Pressure, Investor pressure, Supply Chain Benefits (Speed, Consistent Quality) consumer demand, Competitive Advantage (Savings, reputation, new markets), NGO Pressure, etc has forced organizations to take up CSR. Consumers now look forward to companies having at least some social responsibility feature to their business [5]. Social responsibility may be defined as a business taking an active part in the charities, social causes, and civic life of one's society and community [6]. Corporate social responsibility can be viewed in terms of four features: ethical, philanthropic, economic, and legal aspect [7].

II. Principles of CSR

There are three basic principles of CSR activity [7]:

A. Sustainability

It is concerned with the effect of action taken in current upon the options available in future. For example the resources like ore, petroleum, coal, etc will no longer be available in future. Measures of sustainability considers pace at which available resources are

consumed as against the rate at which they are produced.

B. Accountability

It is connected with the actions affecting stakeholders (society, employees, government, etc).

C. Transparency

It is a part of the process of acknowledgment of any organization's responsibility. Ethics means fair acting and honesty under all situations. Organizations fail to achieve objective due to unethical business tactics and this leads to internal or external conflicts. Values convey what the principal end of life is, the paramount good, and the things in life that are meaningful or desirable [9]. The rise of moral values training inside organizations, some of them required by law imposed by the government, has helped CSR to broaden. The aim of ethics teaching is to help employees make righteous decisions when the answers are unclear [10].

III. Role of CSR in Development

Consumers increasingly desire companies and brands to engage socially. CSR plays an significant role in the development of any business through [11]:

- Boost in brand icon and status.
- Augmented sales and customer trustworthiness.
- Reduction in working costs.
- Enhanced productivity and quality.
- Retain and attract employees.
- Reduced regulatory errors.

IV. Key Principles of CSR

CSR has been long argued to be related with the profitability of an organization [12]. The key principles are:

1. To care for employees equitably and fairly
2. To function with integrity and ethically
3. To respect basic human rights
4. To keep up the environment for next generations
5. To be a helpful neighbour in their communities [13].

V. Codes / Standards / Principles of CSR

The various Codes, Standards/ Principles of CSR are as follows [14]:

1. Universal Declaration of Human Rights

It is adopted by United Nations and this declaration paves way for many international human rights and standards for all sectors entities.

2. UN Global Compact

It is an international multi-constituent, voluntary initiative based on internationally accepted ten principles in quest of a enhanced sustainable complete global economy. The ten principles covers human rights, forced labour, child labour, environmental challenges and responsibility, freedom of associations, corruption, non discrimination, collective bargaining, etc.

3. Global Reporting Initiative (GRI)

GRI has been addressing the need for standardized approaches to corporate sustainability reporting since its founding in 1997. In 2006, GRI published Version 3.0 (G3) of its Sustainability Reporting Guidelines emphasized on performance pointers, which contain a separate section titled "Human Rights" with nine performance indicators.

4. Organization for Economic Co-operation and Development (OECD)

OECD guidelines contain recommendation on human rights, environmental standards, core labour, combating corruption, taxation, competition, science and technology, and safe guarding consumer rights.

5. Social Accountability 8000

'SA 8000' is a standard for social accountability was created in year 2000 by the Council on Economic Priorities Accreditation Agency (CEPAA). SA 8000 is developed by an international coalition of businesses, trade unions and non-governmental organizations (NGOs) on the basis of International Labour Organization (ILO) conventions - the Universal Declaration of Human Rights and the UN convention on the Rights of the Child.

The SA8000 code of practice is classified into nine key areas working hours, child labour, compensation, management systems, forced labour, freedom of association & collective bargaining, disciplinary practices, discrimination, and health & safety.

6. Principles for Responsible Investment (PRI)

It is a set of global best practice principles for responsible investment. It provides guidelines for achieving better long term investment profits and more sustainable markets.

7. Equator Principle

Equator principle is a set of environmental and social benchmarks for managing environmental and social issues in development project finance worldwide. They were developed by private sector banks- led by Citigroup, Barclays ,ABN AMRO, and West LB and was launched in June 2003.

8. Role of International Labour Organization (ILO):

ILO seeks the promotion of social justice and internationally recognized human and labour rights. It formulates international labour standards in the form of conventions and recommendations setting minimum standards of basic labour rights.

9. International Organization for Standardization (ISO) 26000

ISO is an International Standard setting body for developing a new standard on Social Responsibility namely ISO 26000. ISO 26000 is intended for use by all types of organizations and in all countries and to assist organization to operate in a socially responsible manner.

10. Occupational Health & Safety Advisory Services (OHSAS) Standard

OHSAS 18001 is applicable to any organization which aims to establish a health and safety management system at work place.

VI. CSR Policy in India

The Companies Act, 2013, has replaced the nearly six-decade old legislation governing the way corporate function and are being regulated in India. Now profitable companies with a sizeable business would have to spend at least 2 per cent every year of their three-year average profit on CSR works. This applies to all the companies with a turnover of Rs 1,000 crores and more, or net worth of Rs 500 crores and more, or net profit of Rs 5 crores and more during any financial year. Such profitable companies need to constitute a CSR committee of the Board consisting of three or more directors, of which at least one director shall be an independent director. The main functions of the CSR Committee includes: policy indicating the activity or activities to be undertaken by the company as specified in Schedule VII of the Act, recommend the amount to be spent on these activities and monitor the company's CSR policy periodically.

Schedule VII of the Companies Bill 2012 prescribes activities that may be included by companies in their CSR policies: Reducing child mortality and improving maternal health; Promotion of education; Eradicating extreme hunger and poverty; Promoting gender equality and empowering women; Employment enhancing vocational skills; Ensuring environmental sustainability; Combating human immunodeficiency virus, malaria and other diseases; acquired immune deficiency syndrome, Social business projects; Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and; other matters as may be prescribed.

VII. CSR Initiatives in India

A. Industry Association Initiative:

The leading Chambers of Commerce and Industry of India are time-honoured active in social and environmental norms. Federation of Indian Chambers of Commerce and Industry (FICCI), CII works closely in association with Government. CII in partnership with UNDP has set up India Partnership Forum to promote multi stakeholders approach to CSR. Social Development Council (SDC) set up by CII, ensures corporate participation in social development and provides an institutional base for social activities of the corporate sector. Progress, Harmony and Development chambers of commerce and Industry (PHDCCI) has major interventions in family welfare and rural development. Associated Chambers of Commerce and Industry of India (ASSOCHAM) through their members provided drinking water in 110 villages by

1996 on occasion of its platinum Jubilee. Bombay Chambers of Commerce and Industry (BCCI) have been consistently working on issues of inhabitants and civic conditions in Mumbai.

B. Company Initiatives

A survey on internet was conducted to appreciate the philosophy & deployment of CSR as carried out (innovatively and in a sustained manner) by International and National organizations.

C. CSR survey

The Karmyog is an organization which provides CSR rating for the largest 500 Indian companies. Karmayog gives a platform for the Indian non-profit sector by performing research on CSR activities of Indian companies. It has rated the 500 largest Indian Companies based on its various CSR activities. The organizations are rated on 0 to 5 levels based on criteria's like expenditure on CSR, products & services, reach of CSR activities, harmful processes, etc [14].

VIII. CSR Activities by Top Organizations of India

The most important issues that Indian CSR focuses on today are: environmental pollution, education, employee engagement, biodiversity protection, health, and power generation. Some of the top business houses of India have focused on the following CSR activities [14]:

Bharat Heavy Electricals Limited (BHEL) stressed on community and product development by adopting 56 villages and provided infrastructure to schools for physically challenged children near its plants/units, solar lanterns and battery, solar heating systems, solar powered road vehicles, launched wind electric generators. *Bajaj Auto* has focused on development of weaker sections of society through its trust to undertake long-term projects in rural areas for community development.

Tata Steel focuses on improving the quality of life of the communities through *green millennium* campaign, planted 1.5 million surviving trees, It also focused on providing education, health and hygiene.

Mahindra & Mahindra focused on promotion of primary education through free education for girls, college establishment, and *Nanhi Kali* (underprivileged girl child) project.

Infosys focuses on support and encouragement to underprivileged sections, provide medical facilities to remote rural areas, organizing novel pension schemes and aiding orphans and street children and rural education program titled '*A library for every school.*'

ITC focused on empowering farmers; greening wastelands and irrigating dry lands, organizing farmers into water user groups that plan and build water-harvesting structures, primary education, Livestock development, Social forestry through *e-choupal*.

Novartis a pharmacy company focused on treatment for leprosy through free multi drug therapy and cured 4.5 million patients.

SAIL focuses on community development through AIDS awareness education, medical facilities and health, development of small scale/ancillary industries, agriculture, poultry, fisheries.

Colgate – Palmolive focuses on community development through free oral care education by organizing different community programs.

IX. Conclusion

CSR offers real opportunities for the organisations to contribute in a variety of actions which directly or indirectly help welfare of the society. CSR is the channel way for business alliance with

government & community. It offers new way outs to versatile challenges as no one sector has all the answers and all sectors must benefit. It leads to global competitiveness, increased faith and security. CSR is not a short-cut to big business success, but a tactical investment that can pay off in the longer term. CSR is an important factor for employee inspiration and in attracting and retaining top quality employees. Organizations see better employee loyalty and pride in implementing the CSR.

CSR do not provide instant results as it is a long term venture. The concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives.

This paper has given an overview of the many issues surrounding CSR in India's emerging markets. Every origination needs to emphasize on CSR activities to strengthen their market position, improve goodwill and profitability and last but not the least to give back something positive to the society and environment. Thus CSR can become a dimension of a company's successful competitive strategy. It can be seen that CSR has indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

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Author's Profile



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