

# THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA

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## Abstract

Corporate social responsibility (CSR) is a buzzword worldwide. In today's globalized world, one of the great challenges faced by firms is integration of CSR in business. Stakeholders require a lot more from companies than merely pursuing growth and profitability. CSR has come a long way in India and other emerging markets. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. This paper focuses on the concept of CSR, its dimensions and relevance in emerging markets with special reference to India. The concept of Corporate Social Responsibility (CSR) is not new in India. It emerged from the 'Vedic period' when history was not recorded in India. In that period Kings had an obligation towards society and merchants displayed their own business responsibility by building places of worship, education, inns and wells. Corporate Social Responsibility has been defined and conceptualized in several ways during the past four centuries following a process of analysis, debate and scholarly confrontation around the theme. The concept 'Corporate Social Responsibility' (CSR) refers to 'soft', voluntary self-regulation adopted by firms to improve aspects of the company; this can relate to labour, environmental and human rights issues.

**Keywords:** CSR, Sustainability, Philanthropic Approach, Stakeholders.

## Introduction

Corporate Social Responsibility is about companies having duties and taking activities past their legitimate commitments and financial/business points. These more extensive obligations spread a scope of regions yet are much of the time summarized as social and natural - where social methods society comprehensively characterized, as opposed to just social approach issues. This can be summarized as the triple primary concern approach: for example financial, social and ecological. Corporate social responsibility (CSR) additionally called corporate responsibility, corporate citizenship, capable business and corporate social open door is an idea whereby associations think about the interests of society by assuming liability for the effect of their exercises on clients, providers, representatives, investors, networks and different partners, just as the earth.

As indicated by The World Business Council for Sustainable Development, "Corporate Social Responsibility is the proceeding with duty by business to carry on morally and add to financial development while improving the personal satisfaction of the workforce and their families just as of the nearby network and society on the loose". CSR is a posterity of business morals. Anyway business morals is concerned especially with virtues, while CSR concentrates more on the social, ecological and manageability issues than on profound quality. In the expressions of A.P.J.

Abdul Kalam - Corporate basic leadership and approach making is connected to moral qualities, consistence with legitimate prerequisites and regard for individuals, networks and the earth around the world. Corporate social responsibility is essentially an advancing term that doesn't have a standard definition or a completely perceived arrangement of explicit criteria.

## Indian Scenario

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.

### ➤ 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.

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### ➤ The Second Phase

In the second phase, during the independence movement, there was expanded weight on Indian Industrialists to demonstrate their devotion towards the advancement of the general public. This was when Mahatma Gandhi presented the idea of "trusteeship", as per which the business heads needed to deal with their riches in order to profit the basic man. "I want to end private enterprise nearly, if not exactly, as much as the most exceptional communist. Be that as it may, our strategies vary. My hypothesis of trusteeship is no make-move, absolutely no cover. I am sure that it will endure every other hypothesis." This was Gandhi's words which features his contention towards his idea of "trusteeship". Gandhi's impact put pressure on different Industrialists to act towards building the country and its financial advancement.

### ➤ The Third Phase

The third phase of CSR (1960–80) had its connection to the component of "blended economy", rise of Public Sector Undertakings (PSUs) and laws relating work and ecological gauges. During this period the private division had to assume a lower priority. The open part was viewed as the prime mover of improvement. In light of the stringent legitimate guidelines and guidelines encompassing the exercises of the private segment, the period was portrayed as a "time of direction and control". The arrangement of mechanical permitting, high duties and confinements on the private area prompted corporate acts of neglect. This prompted institution of enactment with respect to corporate administration, work and natural issues. PSUs were set up by the state to guarantee appropriate dissemination of assets (riches, nourishment and so forth.) to the penniless. Anyway the open part was compelling just to a specific constrained degree.

### ➤ The Fourth Phase

In the fourth phase (1980 - 2015) 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 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.

## Corporate Social Responsibility –History

The concept of CSR has a long and varied history. It is necessary to trace evidences of the business community's concern for society for centuries. A survey of the literature on studies related to Evolution and Understanding of concept, Awareness, Motivation, Perception and Behaviour, Reporting Practices towards Corporate Social Responsibility Practices in Small and Medium Enterprises specifically has been made to identify the current status of research on the topic. The brief abstracts of these studies have been given below:

Verma and Singh (2016) *Fostering Stakeholders Trust through CSR Reporting: An Analytical Focus* uncovers that a genuine and true corporate correspondence prompts the structure of stakeholders' trust. It likewise surveyed the degree and nature of CSR announcing by Indian companies. The outcomes demonstrated that there is no noteworthy relationship between an association's productivity and its corporate social revelation (CSD). Nonetheless, an association's proprietorship (private area or open segment) has impact on CSD rehearses. The discoveries additionally propose that firm size has a positive relationship with CSD under the network improvement topic. This suggests huge companies with open deceivability support network advancement. At last, the investigation closes with an end that has solid administrative ramifications: genuine and legitimate social detailing can build up a superior relationship with all stakeholders.

Ghosh (2015) The examination plans to investigate the foundation of an example of interest of corporate social duty (CSR) exercises among private area companies as reflected in the individual organization records in the open space, accepting supreme benefit as the parameter. The investigation demonstrated that the most favored CSR exercises were training, wellbeing and condition. Drinking water and sanitation and urban upliftment were the least favored exercises. Critical relationship was seen as for different CSR exercises that the companies were receptive to. Companies having a place with the assembling area and the enhanced part have indicated the most noteworthy responsiveness towards such exercises. Companies have appended the most elevated significance (Level 1) to the accompanying CSR exercises: instruction, condition, wellbeing, provincial upliftment and others.

Gangopadhyay (2014) The hypothetical writing and exact examinations on CSR have efficiently

demonstrated that CSR assumes a noteworthy job as a significant piece of an organization's focused system. Companies can contend by bringing down costs without lessening the nature of the item, or by improving the quality with no noteworthy increments in its cost. Firms utilize their social exercises as a sign to prevail upon buyers who remain faithful to them and representatives who want to work for them. Be that as it may, such flagging functions as a focused procedure just if interest in such exercises is intentional.

## Legal Framework of CSR

The first formal attempt by the Government of India to put the CSR issue on the table was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Prior to this, the importance of CSR was discussed in the context of corporate governance reforms, such as in the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy was spelt out that included care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development.

1. **CSR Committee and Policy:** Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.
2. **Activities under CSR:** The exercises that should be possible by the organization to accomplish its CSR commitments incorporate killing extraordinary appetite and destitution, advancement of training, advancing sexual orientation correspondence and engaging ladies, diminishing kid mortality and improving maternal wellbeing, fighting human immunodeficiency infection, safe insufficiency disorder, jungle fever and different maladies, guaranteeing environmental maintainability, work upgrading professional abilities, social business ventures, commitment to the Prime

Minister's National Relief Fund or some other reserve set up by the Central Government or the State Governments for financial improvement and alleviation and assets for the welfare of the Scheduled Castes, the Scheduled Tribes, other in reverse classes, minorities and ladies and such different issues as might be endorsed. The presentation of CSR arrangement in the Companies Act is an invite step and all companies which fulfill the CSR criteria should embrace CSR exercises under the new CSR system during current monetary year.

## Conclusion

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept- Corporate Social Responsibility. Though the concept of corporate governance may sound a novelty in the Indian business context and may be linked to the era of liberalization, it should not be ignored that the ancient Indian texts are the true originators of good business governance. Good corporate governance means governing the corporation in such a way that the interests of the shareholders are protected whilst ensuring that the other stakeholders' requirements are fulfilled as far as possible. India is a fast growing economy and is booming with national and multinational firms. At the same time, the Indian land also faces social challenges like poverty, population growth, illiteracy just to name a few. Therefore it is all the more imperative for the Indian companies to be sensitized to CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business should embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. CSR-focused businesses should proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public, regardless of legality.

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