

## A Study of Corporate Social Responsibility in Indian Organization: An Introspection

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### ABSTRACT

*In India Corporate Social Responsibility (CSR) plays vital role in organizations. In Indian industry a paradigm may be noticed in Indian Industry from corporate philanthropist to being socially responsible. The importance of CSR has increased in Indian corporate sectors because organizations have realized that ultimate goal is not profit making besides this trust building is viable and assert able with societal relationship. The compulsion of CSR has emerged in last two decades as the result of Indian organization is realization of the importance of sustaining in this cutthroat competition era. Before these Indian industries had materialistic culture. LPG (Liberalization, Privatization and Globalization) companies' focus was toward profit maximization which has led social backwash. In order to overcome this fashion CSR has played a vital role in sustainable development which is only possible due to a balance between profit and lowering social backwash or eliminating it.*

*With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of Indian companies. The industry has answered positively to the reform measure which is undertaken by the government with a great interest on the public and private sector, Indian and multinational companies.*

*The practice of CSR is not a new in Indian companies. The aim of this act is bring more companies into the fold. Moreover it is likely that the total CSR spends will be increased. Many companies have understand that if this increased spending is to achieve results on the ground – which is the intent of the Act – then it requires to be done strategically, systematically and thoughtfully.*

*The CII being the leading industry body, through this paper, envisages equipping companies for this shift of structured engagement with communities. The aim of this study is to show the companies that are veteran CSR practitioners as well as those that are just entering the fray. It has introduced the steps to develop a CSR strategy and Policy and has identified the key building blocks for initiating and developing the CSR programs. It walks the CSR practitioner through some of the key choices which may be mandatory to be made while pursuing CSR objectives and develops an organisation which is socially sensitive and responsible.*

*Building a society which provides equal access to opportunities negates disparities and, is a collective responsibility. This Act presents a unique opportunity to stand up to the challenge. It is a call for action. And this handbook is a significant step in that direction.*

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### INTRODUCTION

CSR become the most important aspect of every business today. Though CSR is not a new concept, as Alexander Dablsrud (2006) has given 37 definitions of CSR on five dimensions which are environmental, social, economic, stakeholders and voluntariness. He has also found that the CSR is nothing new at a conceptual level, business has always had social, environmental, economic impacts and been associated with stakeholders but now as the result of globalization, expectations from any business has become ever changing and increasing. Thus, for successful implementation of business strategies CSR management tools are needed. Corporate Social Responsibility (C SR) is defined as operating a business in a

manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business (Muruganantham. 2010).

Generally CSR is suggested to be followed in every business but before suggesting it one should analyze the trends of CSR practices that bow firm characteristics affect the CSR practices. CSR is dependent on two aspects which are: moral or ethical imperative and the availability of resources. This study aims at measuring how affordability affects CSR practices. One may say that a firm should be socially responsible but for being social responsibility any firm needs some affordability and in the absence of good business firm would not be able to spend on social responsibility. Therefore we assume sales volume.

Profitability, age of the firm and no. of employees may impact CSR practices of the Companies.

## OBJECTIVES

- 1) To analyze the CSR status in India.
- 2) To understand the meaning and various models of CSR.
- 3) To analyze the policies governing CSR in India.
- 4) To study the challenges faced by CSR in India.
- 5) To give suggestions for accelerating CSR initiatives.
- 6) To conduct inter-disciplinary and collaborative research and document case studies in thrust areas of CSR dealing with contemporary issues and challenges.
- 7) To integrate the existing body of knowledge, systems, structures, models and mechanisms associated with different CSR initiatives by interfacing with industry and academia.
- 8) To disseminate information about the latest happenings in the CSR field to people engaged in policy making, policy analysis, policy research, practitioners and other stakeholders.

## RESEARCH METHODOLOGY

Research design is an important step to outline the plan and structure of issues to be investigated. Exploratory Research is done to make problems suited to more precise investigation or to frame a working hypothesis from an operation perspective. It has not been utilized in cases where a definite result is expected. The study results are used for subsequent research to get conclusive results for a particular problem situation. Its objective is to be obtaining complete and accurate information. There is sufficient provision for protection against biases and prejudices and even for a-priori perceptions which help in improving reliability of data.

The available secondary data has been used for in this study. The investigator has procured the required data through secondary survey method. Numbers news articles, books and websites have been used which have been enumerated and recorded.

## LITERATURE REVIEW

Increasingly, companies try to address CSR issues with systematic and organized processes: they revise policies and development programs, set up steering committees, examine particular programs' environmental and social performance outcomes, and publish annual sustainable development reports. In 2008, some 3,000 companies are expected to publish a report that will document the companies' CSR policy and performance outcomes (Corporate Register, 2008). The majority of these reports, however, will not be certified by a third party. Whether a company has engaged in factual CSR activities or not, therefore, becomes a real question (Laufer, 2003).

Companies have demonstrated various levels to understand the commitment, and integration of CSR. Various models of CSR development has underlined the strategic, organizational, and managerial capabilities required by companies in order to deal with environmental and social challenges and to implement a company-wide CSR orientation (Davis and Blomstrom, 1975; Mirvis and Googins, 2006; Van Marrewijk and Werre, 2003; Zadek, 2004). The level of CSR-related

capacity and understanding determines the extent to which CSR principles have been embedded within a company's overall strategy and day-to-day practices.

## CSR IN INDIA

Nowadays, governments and businesses have understood their respective competitive positions and access to capital increasingly depend on being able to respect the highest global standards. At one end of the spectrum, CSR may be viewed as a collection of good citizenship activities which are engaged by different organizations. At the other end, it is way of doing business which creates a significant impact on community and long-term sustainability. The significant feature of CSR comprises philanthropic, corporate, ethical, environmental, legal and economic responsibility. An alternative, synonymous to CSR, is people, planet, and profit also known as triple bottom line. In India, the evolution of CSR refers to changes over time in cultural norms of corporations' engagement and the way businesses manage to develop positive impacts on communities, cultures, societies, and environment in which those corporations operate. CSR motives changed during the independence movement in India toward social reforms in order to encourage women empowerment and rural development. In the last decade, CSR has rapidly evolved in India with some companies which are focused on strategic CSR initiatives to contribute toward nation building. Gradually, the companies in India have begun to focus on need-based initiatives aligned with the national priorities such as public health, education, livelihoods, water conservation and natural resource management. Intensive national level deliberations on the potential role and responsibility of the corporate sector in contributing toward addressing social issues have been examined in the last decade. In the last five years, the government of India has also increased its focus on persuade on persuading companies to participate in addressing social and developmental issues, not only as a part of their social responsibility but also their business practices. Setting an example for the private sector on CSR activities for Central Public Sector Enterprises have been issued by Department of Public Enterprises. According to these "Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises" revised by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises every year, each CPSE will be with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities/projects for the year.

These guidelines has become effective from April , 2013 which are revised version of the earlier comprehensive "Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises" issued by The Department of Public Enterprises (DPE), in April 2010. While the previous guidelines were focused mainly focused on CSR activities for external stakeholders. The revised guidelines by the DPE take internal stakeholders, particularly employees, into account. The new CSR Guidelines have contained a dedicated section on sustainability reporting and disclosure.

## ISSUES AND CHALLENGES OF CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders rely more on questioning CSR initiatives of the companies today. They challenges the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views. The CSR managers have to

face number of challenges in managing CSR activities in India. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absences of sufficient training results undeveloped staff which is also a problem for reduced CSR initiatives Lack of public's interest to participate and contribute to CSR activities results because of companies as they have little or no knowledge about it. The increasing demand for transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also unavoidable for the companies. The more the open and honest disclosure, the stronger and trusting relationships may be built with the stakeholders and consumers. Small companies do not take much interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they lose out on people and their trust in them. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. Apart from this, media does not play its role in this regard. The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

#### SUGGESTIONS

Companies, which are motivated to include CSR factors in the way they run their businesses, struggle to leverage this in a way that enables them to attain competitive advantages from such activities. The emergent sustainability and corporate social responsibility reports have not generated the level of confidence to persuade investors and other stakeholders to take them seriously. This leaves the stakeholders and companies in an information asymmetry dilemma. The suggestions and recommendations for institutionalizing CSR practices in organizations are mentioned below.

1. Investment community and companies should become signatories to voluntary schemes such as United Nations Principles of Responsible Investments (UNPRI), United Nations Environmental Programme Finance Initiative (UNEP FI), UN Global Compact and the IPC Equator Principles, aimed at developing good practices to minimize information asymmetry in this field.
2. The third party indices which are Goldman Sachs Sustain Index, Dow Jones Sustainability Index, and FTSE4Good Index. These voluntary schemes and third party indices exert some practice pressures on firms that subscribe to them, at least to show/report that they are making some progress in integrating CSR factors in the way their businesses are run. In this regard, it often requires a new paradigm that recognizes profit, not in isolation, but also only when it contributes to sustainability. If the stakeholders made more aware of existence of such indices and if these are also made mandatory reporting in annual reports of companies, they would put moral pressure on companies to take up CSR in a more organized way.

3. Government is proposing to introduce legislation for companies to set aside 2% of their profits for CSR related activities. Simultaneously, the Government should encourage companies to take up CSR earnestly by offering some subsidies, tax benefits for such endeavors besides keeping a watch through various controlling measures.
4. Every company must be engaged in CSR activities which lowers its harm to the environment and helps to damage the environment. For example, all companies should utilize energy-efficient technologies i.e. energy saving lighting, green PC, etc. for their factories and offices. They should adopt rainwater harvesting, waste water management irrespective of the production process they are engaged in.
5. All environmental initiatives should be directed towards a long term objective of becoming water positive, carbon neutral, and conducting the maximum possible recycling and reuse of wastes.
6. Employees working in companies should be made aware of CSR so that they participate in such activities more enthusiastically.
7. HDFC Mutual Fund's initiative to fight cancer by introducing "HDFC Debt Fund for Cancer cure" is a classic example of involving all the stakeholders for a social cause. More companies and organizations should come out with such bold social initiatives.

#### FUTURE OF CSR

It is understood that reducing carbon emissions, improving transparency in business and labour relations will be top corporate social responsibility issues for companies in Asia-pacific over the next decade. Sustainability is the capacity of an eco-system to endure vis-à-vis the wanton exploitation of the carrying capacity of the planet that impoverishes future generations. This involves innovative models of production and consumption to contribute in order to the issue of climate change and global warming. The ongoing efforts of organisations are sustainable corporate strategy to meet the challenges of corporate social responsibility particularly in relation to global warming, carbon emission and climate change resulting in eco-imbalances.

#### CONCLUSIONS

The main problem of globalization resource of degradation, climate change, population demographics triggers substantial shake up in the world market place. If businesses are to thrive, let alone survive in this new environment, they must first structure themselves for change and second, recognize the changes that should be made. By CSR and strategy, businesses can successfully accomplish both these critical mandates. As evidenced by our research and findings, the integration of CSR and strategy promotes and provides a structured mechanism for business to move closer to society. This research has shown that social responsibility is considered as an important business issue among the business community, irrespective of the size, age, sector, primary purpose or location of the enterprise. It has clearly emerged

from the study that institutionalizing the CSR in business strategy has different long term benefits. When organizations partner with stakeholders, there is a convergence of the societal advantages and strategic advantages.

To consider the importance of profit, social, ethical and environmental responsibilities outweigh the costs over time. In

this was corporate social responsibility can create value for the organization in the long run? Positive orientation towards societal responsibility can help to create tangible gains for organizations for sustainable advantage.

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