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Qualitative Analysis of Corporate Social Responsibility (CSR) in India

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Abstract:

Corporate Social Responsibility (CSR) a means of assessing the interdependent relationships that exists between business and economic systems to give attentions towards social and environmental concerns in addition to economic goals and encourage companies to balance financial profits, economic value and social goals along with the legal responsibilities in between the neighbours where they are based or in the shantytowns. Corporate Social Responsibility as a company's duty to mitigate negative social and environmental effects caused by the company.

Keywords: Environmental Concerns, Legal Responsibilities, Social Goals

Meaning and Definition of Corporate Social Responsibility:

The World Business Council for Sustainable Development (WBCSD) had also defined CSR as a continuing commitment by corporate to behave ethically, responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as the neighbours and society at a large. It is also defined by Investopedia as a "corporate initiative to assess and take responsibility for the company's effects on the environment and social welfare". Most of the scholars have also stated CSR is also an ethical intervention in social life and it basically denotes the interface among POLITY, ECONOMY and SOCIETY. Some of the CSR led activities are also mentioned among the MDGs especially GOAL 7 which ensures environmental sustainability which have to be achieved by 2015[1]. It also expresses a voluntary commitment of the companies to behave responsibly to their surroundings within three pillars: ECONOMIC, SOCIAL and ENVIRONMENTAL one.

Background of CSR: While CSR is a recent term, but the preoccupation with business ethics and the social dimensions of business activity has a long history. Business practices based on moral principles

[1] Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources and programmes and reverse the loss of environmental resources mentioned under the United Nations Millennium Development Goals report 2014.

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and **'controlled greed'** were advocated by Indian Statesman and Philosopher **Kautilya** in the fourth century B.C., while his western equivalents such as **Cicero**[2] in the first century B.C.

The concept of corporate social responsibility (CSR) has appeared in the 50s of the 20th century. For the management of a company it could be a way how to build relationships with partners leading to improve reputation and the credibility of the company.

The modern precursors of CSR can be traced back to the nineteenth-century boycotts (against the white collar crime)[3] of foodstuffs produced with slave labour, the moral vision of business leaders such as Cadbury and Salt, who promoted the social welfare of their workers, and the Nuremberg war crimes trials after the Second World War, which saw the directors of the German firm I. G. Farben found guilty of mass murder and slavery (Ciulla 1991; Pegg 2003; Sekhar 2002). From a historical perspective, CSR is simply the latest manifestation of earlier debates as to the role of business in society. What is new, according to Fabig and Boele, is that 'today's debates are conducted at the intersection of development, environment and human rights, and are more global in outlook than earlier in this century or even in the 1960s' (Fabig and Boele 1999). While the role of business in society seems to have been changing for some time, there is no agreement among observers on what CSR stands for or where the boundaries of CSR lie. Different people have interpreted CSR differently. **For example**, CSR means different things to practitioners seeking to implement CSR inside companies than to researchers trying to establish CSR as a discipline. It can also mean something different to civil society groups than to the private sector. The responsibilities of companies in developing nations are also defined differently depending on the social – especially national – context (Baskin 2006; Frynas 2006); for instance, CSR among Malaysian firms is partly motivated by religious notions and Islam's prescriptions of certain business practices (Zulkifli and Amran 2006).

Problems of CSR:

Historically, Islam and the Medieval Christian Church (catholic social thought) publically condemned certain business practices, notably usury. During the literature review I found that in India the existing

[2] Roman Philosopher, Politician, Orator and Constitutionalist
[3] White-collar crime refers to financially motivated non violent crime committed by business and government professionals.

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CSR practices are far behind to achieve its goals and then the question arises that why we need CSR[4]? And what in real terms CSR is? Is it a mismatch between the policy and the needs of the gross root? In the new Companies Act 2013, under section 135, the mandatory 2% CSR expenditure is both unique and controversial provision. **Unique** as no other country had CSR spending mandate by law. **Controversial** because many of the reformers believe that the roughly estimated ₹ 15000 CSR spending from corporate India would be misused.

Legal Background of CSR in India:

CSR was first enacted in 1967 and the Companies Act has undergone some 17 rounds of amendments. India has had a long tradition of corporate philanthropy and industrial welfare which is in practice since late 80's. Government of India had not defined CSR, infact they recast it as responsible business initiative in a voluntary protocol for firms released on July 8, 2011 by the Union Minister of Corporate Affair. In 2013 Government of India amended the Companies Act and formulated the **Companies Act 2013[5].** To enable the implementation of Corporate Social Responsibility activities, which, since April 2014, became mandatory for the wealthiest companies in India with certain legal obligations against the CSR expenditure of Corporate India which are presented under:

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year should invest two percent as CSR activities and shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director including one female director.

(2) The Board's report under sub-section (3) of section 135 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a).

[4] Global Hunt Foundation's Report

[5] Ministry of Corporate Affairs (MCA), 2013

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(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall-

(a) After taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed.

(b) Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to it in sub-section (1) which will ensure that the company spends at least 2% of the average net profits of the company in every financial year made during the three immediately preceding financial years. It is also mentioned that the company will give preference to the local area where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. It is further provided in the Act if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 135, specify the reasons for not spending the amount.

(6) The most unusual thing mentioned under the section 182 in the newly companies act 2013 is that there is a provision for corporate contribution to political parties up to 5% of their net profit against 2% for CSR activities.

Motive behind CSR investments:

What is particularly lacking is a general explanation as to why and how firms engage in CSR. Why do some companies display greater willingness to engage in CSR than others? Why do the same companies have different CSR policies in different countries? Why do some companies engage in CSR even if there is little external pressure to do so? Why the apex corporate governing bodies are asking for the tax rebate against their CSR budget? Why the corporate India is against the compulsion that only a three year old NGO or Self Help Group receives charity from corporate and they want to relax in the events that a foundation or NGO belongs to a particular reputed industry organisation and in last

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do the corporations are naturally and "pathologically selfish" in their pursuit of profits (Enjoying Tax holiday and make over of their social image).

Corporate social responsibility is not the act of balancing an ethical checkbook. Donating corporate profit to a charity means very little if that profit was attained by causing significant harm to the lives of people and the environment. Do the corporate India is Quantifying the Voluntary work of their employees?

CSR is one of the 'umbrella' labels that has recently gained popularity. Many of the emerging issues are being addressed under this label (Jan Jonker 2006). Given the problem of encompassing different viewpoints in one inclusive definition of CSR, Blowfield and Frynas (2005) have proposed to think of CSR as an umbrella term for a variety of theories and practices that each recognise the following: -

(a) Every company have a responsibility for their impact on society and the natural environment, sometimes beyond that of legal compliance and the liability of individuals.

(b) That companies have a responsibility for the behaviour of others with whom they do business (external stakeholders). For example: within supply chains.

(c) That business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society.

Literature on CSR strategies:

Hundreds of academic papers have been published on CSR, but there is no consensus on how to explain the rise and direction of CSR, and there is no agreement on how CSR should be studied. The emergence of CSR has been explained as a consequence of the actions or inaction of governments and changing global governance (Jenkins 2005; Moon 2004) the spread of global communications and greater scrutiny of corporate activities by non-governmental organisations (Fabig and Boele 1999; Spar 1998); and globalisation and a changing economic environment (Korhonen 2002). However, the company responses to these global trends have been differently interpreted. Lockett et al. (2006) have argued that the CSR field is becoming more established and distinctive, however, this does not indicate any emergence of a Kuhnian normal scientific paradigm and that 'CSR knowledge could best be described as in a continuing state of emergence'. There is no accepted theoretical perspective or research methodology for making sense of CSR activities. Indeed, most scholars study CSR without

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any reference to a given theoretical perspective, and it has been found that CSR research is not driven by continuing scientific engagement but by 'agendas in the business environment'.

These theoretical perspectives include:

1- Carroll's model of CSR (CSR Pyramid Theory)
2- Shareholders Theory (Neo-Classical theory)
3- Triple Bottom Line Theory
4- Stakeholder Theory
5- Cross Cultural Theory
6- Agency Theory
7- Stewardship Theory
8- Institutional Theory
9- Game Theory
10- Theory of the firm
11- Resource based view in Strategic Management

Some of the various theoretical perspectives are briefly summarised in Table 1.1

Table 1.1: Perspectives on CSR strategies

Theoretical Perspective (Alphabetical Order)	**Main Argument**	**Main authors on CSR strategy**
Agency theory	CSR driven by self-serving behaviour of managers at the expense of shareholders	Friedman 1962; Wright and Ferris 1997
Game theory	CSR as a trade-off between present cost and future benefits	Prasad 2005
Institutional theory	CSR driven by conformity to different institutional contexts	Doh and Guay 2006; Jennings and Zandbergen 1995
Resource-based view in strategic management	CSR can act as a specialised skill or capability to gain a competitive	Hart 1995; Russo and Fouts 1997

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	advantage	
Stakeholder theory	CSR driven by relationships with specific external actors	Clarkson 1995; Freeman 1984
Stewardship theory	CSR driven by moral imperative of managers to 'do the right thing'	Donaldson and Davis 1991
Theory of the firm	CSR driven by a supply of/ demand for social activities in the marketplace	Baron 2001; McWilliams 2001 and Siegel 2006

Source: McWilliams et al.

The differences in the understanding of CSR are perhaps inevitable given the wide range of issues that companies need to deal with, they can be frustrating, not least to company managers who might prefer a bounded concept similar to quality control or financial accounting. Instead, managers find themselves wrestling with issues as diverse as corporate governance, environmental management, corporate philanthropy, human rights, labour rights, health issues and community development. To complicate matters further, new terms have entered the vocabulary of business and civil society – concepts such as corporate accountability, stakeholder engagement and sustainable development, aimed variously at replacing, redefining or complementing the CSR concept (see Table 2.1 for an overview). Indeed, some companies now prefer to use terms such as 'sustainability' or 'citizenship' instead of CSR.

Table 2.1: Multiple interpretations of Corporate Social Responsibility

Interpretation	**Relevant Authors**
Business ethics and morality	Bowie 1998; ; Freeman 1994; Phillips 1997, 2003; Phillips and Margolis 1999; Stark 1993
Corporate accountability	O'Dwyer 2005; Owen et al. 2000
Corporate citizenship	Andriof and Waddock 2002; Carroll 2004; Matten and Crane 2005
Corporate giving and philanthropy	Carroll 1991, 2004
Corporate greening and green Marketing	Crane 2000; Hussain 1999; Saha and Darnton 2005

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Diversity management	Kamp and Hagedorn-Rasmussen 2004
Environmental responsibility	DesJardins 1998; McGee 1998
Human rights	Cassel 2001; Welford 2002
Responsible buying and supply chain management	Drumwright 1994; Emmelhainz and Adams 1999; Graafland 2002
Socially responsible investment	Aslaksen and Synnestvedt 2003; Jayne and Skerratt 2003; McLaren 2004; Warhurst 2001
Stakeholder engagement	Donaldson and Preston 1995; Freeman 1984, 1994
Sustainability	Amaeshi and Crane 2006; Bansal 2005; Korhonen 2002

Source: Amaeshi and Adi 2007

Michael Klein[6] and Sumeet Kaur[7] in its Policy Research Working Paper observed that with the growing integration of economies and societies around the world, the mobility of people, information, economic and social assets have increased. With the increasing awareness of the negative effects of sourcing from developing countries such as child labour, high carbon emission products and manufacturing technology which damages the biosphere, CSR has become more and more relevant and firms are working actively with these issues. But why are they actually doing this? Is it just to avoid bad reputations? Or is it because they want to be good citizens and do the right thing. In developing economies like India, there are some important factors related to CSR issues, like cheap labour, less stringent environmental, labour laws, unethical practices with the stakeholders and shareholders and their non participation in decision making. Due to this, firms have to pay more attention to these areas. Despite being a very important issue, there is a very little information at the firm level to understand the CSR in Indian context.

Phase 1	**Phase 2**	**Phase 3**	**Phase 4**
Pure philanthropy and charity during industrialisation	CSR as a social development during the independence struggle	CSR under “mixed economy” paradigm	CSR in a globalised world in a “confused state”

Source: Sundar (2000)

[6] World Bank, Research Working Paper 2014
[7] Ibid.

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Statement of Problem:

Here question arises that **who** is responsible of this ongoing and for ensuring the well being of people and safeguarding their prosperity. It is the responsibility of governments, the corporate/businessman (white collars), consumers, shareholders, or of all people? Government is a part of the system and the regulator of markets and law makers. Managers, businessman and the business world take action (white collar actions) concerning the market structure, consumer behaviour or commercial conditions. Moreover, they are responsible to the shareholders for making more profits to keep their interest long term in the company. Therefore they are taking risk for their benefit/profit. This risk is not opposed to the social or moral/ethical principles which they have to apply in the company. There are many reasons for ethical and society and socially responsible behaviour of the company. However, there are many cases of misbehaviour and some illegal operations of some companies. Increasing competition also makes business more difficult than before in the globalised world.

Conclusion:

On the basis of the literature reviewed it has been concluded that CSR is a corporate liability based upon the value of welfare-ism which delineates that CSR is sharing hand of STATE in their development programmes and it also benefits the corporate in the repair of their social reputation.

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