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Corporate Social Responsibility in India- An Introduction

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ABSTRACT

With the acceleration of the processes of globalization the concept of Corporate Social Responsibility (CSR) has been reinforced and has emerged in the Indian economy with increased vigor. The campaign of CSR has been actively supported by global agencies like the World Bank, OECD (organization for economic co-operation and development) and the European Commission. CSR has gained popularity as a broad concept ,commonly signifying the responsibility of the corporation to stakeholders representing the tripartite concerns of 'people, planet, profit' (e.g. Cramer et al., 2006) but its implementation as a practice is still a 'black box' in the literature on CSR (Linnenluecke et al., 2007). Much of the literature on CSR till date has focused on justifying in economic terms the various activities associated with CSR (Basu and Palazzo, 2008; Margolis and Walsh, 2003). Company have become more transparent and displaying public reporting in their accounting. Companies are incorporating their corporate social responsibility initiative in their annual report. The Indian government not define CSR infect they recast it as responsible business in a mandatory protocol for firms by the union minister of corporate affair. This research paper try to analyze the study of CSR status in India, I would like to through light on CSR for Indian economy which would be helpful for both economic and social interest which would be futuristic majors to provide valuable information as well as suggestions on their CSR practices and performance

Keywords: *social development, mixed economy, social investment, transparency*

I.INTRODUCTION

The concept of corporate social responsibility is not new to India though. It has been a tradition in a number of organizations, particularly family-based firms with a strong community ethos. Historically it has been a significant influence, impacting on business, government and society relationships. It has been defined in a number of ultimate ways and to a big extent the discussions about 'what it is' have been confused by the variety of normal perspectives adopted the concept of CSR in India is not new. The process though acclaimed recently, has been followed since ancient times albeit informally. The dawn of Corporate Social Responsibility is catching the entire world in its ambit and India is no exception. Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy and operations and in their interactions with all stakeholders on a deliberate basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that a society has from business organizations at a given point in time

II.OBJECTIVES

1. To study the development phases in India
2. To study the CSR motivated by charity and philanthropy
3. Current phase of Corporate Social Responsibility in India with 2013 act
4. To study the challenges faced by CSR in India
5. To make suggestions for accelerating CSR initiatives.

III. RESEARCH METHODOLOGY

The research paper is an attempt of conceptual research, based on the secondary data sourced from journals, magazines, articles and media reports.

IV. FINDINGS

Development of Corporate Social Responsibility in India

The concept of corporate social responsibility is not new to India though. It has been a tradition in a number of organizations, particularly family-based firms with a strong community ethos. Historically it has been a significant influence, government and society relationships, impacting on business,. It has been defined in a number of ultimate ways and to a big extent the discussions about 'what it is' have been confused by the variety of normal perspectives adopted The concept of CSR in India is not new. The process though acclaimed recently, has been followed since ancient times albeit informally. The concept of helping the poor was cited in much of the ancient literature.

The idea was also accepted by several religions where it has been intertwined with religious laws. Hindus follow the principle of ―Dhramada‖ or getting salvation ―Moksh‖ and forms an integral part of almost all Hindu rituals. Similarly in Sikhism, provision of free ―Langar- food and shelter‖ in the ―Gurudwaras‖and also a provision of 10% of income donate to Gurudwaras named 'Daswant' has been another illustration of institutionalized philanthropy (Sanjay, 2008). ―Zakaat, followed by Muslims, is donation from one‗s earnings which is specifically given to the poor and disadvantaged. In the global context, goes back to the seventeenth century when in 1790s, England witnessed the first large scale consumer boycott over the issue of slave harvested sugar which finally forced importer to have free-labor sourcing. In India, in the pre independence era, the businesses which pioneered industrialization along with strongly fighting for independence also followed the (CSR) idea.

They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations either monetary or otherwise were sporadic activities of charity or philanthropy that were taken out of homely or personal savings which neither belonged to the shareholders or partners nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. By late 1990s, the concept was full recognized; people and institutions across all sections of society started supporting it. This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even represented CSR in their annual reports, by the end of year 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports (Hartsuiker and Boli 2001). According to Sundar (2000), the following four phases of CSR development can be identified. These phases parallel India‗s historical development and resulted in different CSR practices. However, it is not static, as is particularly evident from the last phase, features of one phase can also be seen in the others,

Phase -1	Phase -2	Phase -3	Phase -4
Pure philanthropy and charity during industrialization	CSR as Social development during the independence struggle	CSR under the "mixed economy" paradigm	CSR in a globalized world in a "confused state"

Figure 1 - : Four phases of CSR development in India

Source: Sundar (2000)

First phase: charity and philanthropy

The first phase of CSR is strongly determined by culture, religion, family tradition and industrialization. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR (especially social and environment), charity and philanthropy both are still influence CSR practices today, especially in community development. In the pre-industrialization period up to the 1850s, merchants committed themselves to society for religious reasons, sharing their wealth, for instance, by building temples. Moreover, the business community of India occupied a important place in ancient Indian society and the big merchants provided relief in times of crisis such as famine or epidemics throwing open go downs of food and treasure chests (Arora, 2004). Under colonial rule, Western types of industrialization reached India and changed CSR from the 1850s onwards.

The pioneers of industrialization in the 19th century in India were a few families such as the Tata, Birla, Lalbhai, Bajaj, Sarabhai, Godrej, Singhania, Shriram, Modi, Mahindra ,Naidu, and Annamali, who were strongly devoted to philanthropically motivated CSR (Mohan, 2001). Jamshetji N Tata, who played a pioneering role in the industrialization of India, had put people before profit‖. This philosophy has continued by the Tata group as in integral part of their organization culture for the last one century. Based on the logic, the wealth which comes from people, must, as far as possible, go back to the people (Sanjay, 2008).

The early pioneers of business community and industry in India were leaders in the economic, as also in the environmental and social fields (Arora, 2004). Nevertheless, it has been pointed out that their engagement was stimulated by religious motives. not only altruistic and The underlying pattern of charity and philanthropy means that entrepreneurs sporadically donate money (e.g. to schools or hospitals) without any concrete or long term engagement.

Charitable and philanthropic CSR is practiced outside the firm, concentrated on such external stakeholders as communities and general environmental and social welfare bodies. There are several instances of philanthropic activities taken by the corporate house in pre- independence India. One such noteworthy case related to the spontaneous donation of Rs 26 lakh by Adeshir Godrej to the Tilak fund for the upliftment of Harijans, started in 1926. This initiative was applauded by Gandhi as a major contribution to the cause (Sanjay, 2008).

Second phase: CSR for India's social development

The second phase of Indian CSR (1914-1960) was influenced by the country‘s struggle for independence and influenced fundamentally by Gandhi‘s theory of Trusteeship. The aim of which was to consolidate and amplify social development. During the struggle for independence, Indian businesses actively engaged in the reform process. Not only firms see the country‘s economic development as a clear protest against colonial rule, they also participated in its institutional and social development (India Partnership Forum 2002, 11). The corporate sector‘s involvement was stimulated by the vision of a modern and free India. Gandhi introduced the notion of trusteeship in order to make firms the temples of modern India: businesses (especially well established family businesses) set up trusts for schools and colleges; they also established training and scientific institutes (Mohan 2001). This period for emphasis to manage business entity as a trust held in the interest of the community, and prompted many family run businesses to contribute toward socioeconomic development. The heads of the firms largely aligned the activities of their trusts with Gandhi‘s reform programs. These programs included activities - abolition of untouchability, women‘s empowerment and rural development (Arora 2004).

Third phase: CSR covered under the paradigm of the mixed economy

The paradigm of the mixed economy, with the emergence of PSUs and ample Regulation on labor and environmental standards, affected the third phase of Indian CSR (1960-1980). Under the aegis Jawaharlal Lal Nehru, this model came into being in the post independence era. The era was driven by a mixed and socialist kind of economy (KPMG in India, 2008). This phase is shift from corporate self-regulation to strict legal and public regulation of business activities. Under the paradigm of the ―mixed economy‖, the role of the private sector in advancing India receded. During the Cold War, India decided to take a third course between communism and capitalism . In this scenario, the public sector was seen as the prime mover of development. The 1960s have been described as an ―era of command and control‖, because strict legal regulations determined the activities of the private sector (Arora 2004, 8).

The introduction of a regime of high taxes and license system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. As a result, corporate governance, labor and environmental issues rose on the political agenda and quickly became the subject of legislation. Furthermore, state authorities established PSUs with the intention of guaranteeing the appropriate utilization of wealth for the needy (Arora, 2004). However, the anticipation and assumption that the public sector could tackle developmental challenges effectively materialized to only a limited extent. Consequently, the need for its involvement in socio-economic development became indispensable. An primary and many cautious attempt at reconciliation was made by Indian politicians, academics and businessmen at a national workshop on CSR in 1965 (Mohan 2001). According to this agenda, businesses were to play their part as respectable corporate citizens, and regular stakeholder dialogues, social accountability and transparency (Mohan, 2001).

The fourth phase: CSR at the intermediate between philanthropic and business approaches

In the fourth phase (1980 until the present) Indian firms and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is explained by its economic, environmental and social bottom line. This implies that it is more than sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends (KPMG in India, 2008). In the 1990s, the Indian government tried to integrate India into the global market and initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the ―mixed economy. Consequently, controls and license systems were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora and Puranik 2004).

This fast growth did not lead to a reduction in philanthropic and social donations; on the contrary, the increased profitability of business also increased business willingness as well as ability to give, along with a surge in public and government expectations of businesses (Arora, 2004). Against this background, India has become an important economic and political sector in the process of globalization. This new situation has also affected the Indian CSR agenda. With more TNCs resorting to global sourcing, India has become an attractive and important production and manufacturing site. As Western consumer markets are becoming more responsive to labor and environmental standards in most developing countries, Indian firms representing for the global market need to comply with international standards (Tatjana, *et al.*, 2007).

Current phase of Corporate Social Responsibility in India with 2013 act

India‘s economic reforms and its uplift to become an emerging market and global player have not resulted in a substantial change in its CSR approach. Contrary India would adopt the global CSR agenda, adopting only some aspects of global mainstream CSR with its own characteristics (Tatjana Chahoud, et al, 2007). The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects firms to perform according to ―triple bottom line‖ approach. The businesses are also focusing on accountability and transparency through several mechanisms (KPMG in India, 2008). Balasubramanian *et al*. (2005) and Arora, *et al*., (2004) surveys conducted in India to gauge the trends of CSR in the business community sector. Another survey conducted by the Centre for Social Markets (CSM) in 2001 explored the perception of Indian businesses relating to CSR and the actions or responses of businesses towards social responsibility (Brown, 2001).

Similarly a body representing the NGO sector, IndianNGOs.com, also conducted a survey in 2002, which focused on sensitivity and awareness to CSR, pre-investment decisions, investment in CSR, post investment and opportunities and concerns (Indian NGOs.com, 2002). The British Council, UNDP, Confederation of Indian Industries and Price water house Coopers jointly conducted a detailed survey in 2002. This survey defined answers from corporations to questions relating to the ‗how and why of CSR‘in India, barriers to CSR, apprehensions and expectations for the future (UNDP, 2002). India is a vast and heterogeneous country, with a multitude of different cultures, languages, religions and traditions, spread out over several states. With the introduction of economic reforms during 1992, the economy is moving towards privatization and globalization.

The contribution of private corporate sector to national income is increasing. Along with this, the concept of CSR is also becoming popular. CSR as a driver for the development of relationship between business and society has accelerated highly in India during the last 5 to10 years (Whitehous, 2006, Baxi, 2005). In an empirical study by Khan and Atkinson (1987), it was found that a large percentage of Indian executives studied agreed that CSR was relevant to business and felt that business had responsibility not only to the shareholders and employees but also to customers, suppliers, society and the state. The study by Kirti (2008) revealed the relationship between CSR and business at was found that CSR eventually promote a better relationship between industry and people, a good work environment, enhanced customer relationship and enhance corporate image of the firm. Now CSR is mandatory from 2013 with CSR Act 2013.

V. CHALLENGES OF CSR

- **Stakeholder idea**

There are some conceptual difficulties with the stakeholder idea. One is that not all stakeholders are equal. Another is that not all stakeholders have a legitimate claim on the behavior of the company arising out of the interests of society. Indeed, there are some stakeholders whose existence do not add to the responsibilities of the company and may even reduce them. Consider situations where a company has outsourced work to other enterprises, even where this is in order to avoid responsibilities. In such cases the number of “stakeholders” has increased but the responsibilities of the company have not changed or may have decreased.

- **Reporting and verification**

Agreeing on what a company should report to the public about the social impact of its activities or its contributions to society can be one of the most important forms of standard-setting. For this reason, the Global Unions decided to participate in the Global Reporting Initiative, an international multi-stakeholder initiative designed to develop guidelines for company reports. Sometimes referred to as “sustainability reporting” and “triple bottom line reporting”, this non-financial reporting is heavily influenced both by financial reporting practices and by experience from reporting on environmental impacts. The emphasis is on quantifiable information that is also considered objective (unbiased or neutral), comparable and auditable.

- **Socially responsible investment**

The interest in socially responsible investment (SRI) is part of the CSR phenomenon. It has led to the growth and popularity of investment funds claiming to invest in companies that are socially responsible, and to the growth in the number of enterprises that provide information to investors about the social or environmental performance of companies. This has increased opportunities for trade unionists to obtain leverage over corporate behavior through means such as introducing shareholder resolutions at annual company meetings. Such use of workers’ capital has helped to shape the CSR environment. These tactics have been applied mainly in countries where there is an “equity culture” and where workers’ or other institutions, such as religious groups, with an interest in the social responsibility of business, have an influence on the investment decisions or the proxy voting of pension funds. The interest in SRI screening system perfectly constructed

VI. SUGGESTIONS

- There is growing recognition in many countries, as well as internationally, that certain frameworks meant to hold business accountable are inadequate. Some of the most important of these frameworks have received international attention and are the subject of international standards. They include corporate governance, accounting and reporting as well as bribery and corruption

- One of the major influences on determining reporting content is a nascent industry of consultancies offering assistance to companies in preparing reports, as well as other enterprises, often linked to the accounting industry, offering services designed to enhance the "credibility" of these reports by providing "verification" or "assurance". The more important drivers for "assurance" will not be campaigning organizations seeking to make companies prove their CSR claims, but the companies themselves who want to reduce liability for their public claims – and investors demanding reliable reporting of non-financial performance that has a bearing on the financial performance of the company.

- There are different ways that (Socially Responsible Investment) SRI can be used to influence corporate behavior. One is by choosing investments through screening. In applying a screening strategy, investors either do not invest in companies (or divest themselves from companies) that fail to meet agreed criteria concerning various aspects of CSR, or else invest in "ethical" or "responsible" companies that meet certain criteria. The screen can operate on either positive or negative criteria. While there is logic to a CSR screening system perfectly constructed and universally applied, and universally applied.

CONCLUSION

As CSR moved from charity and philanthropy to social development and mixed economy with the CSR act 2013, mandation of some specified CSR activities. Its present CSR approach still largely retains its own characteristics, adopting only some aspects of global mainstream CSR (Tatjana Chahoud, et al, 2007). The model expects firms to perform according to ―triple bottom line‖ approach. The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill The businesses are also focusing on accountability and transparency through several mechanisms (KPMG in India, 2008). Balasubramanian *et al*. (2005) and Arora, *et al*., (2004) surveys conducted in India to gauge the trends of CSR in the business community sector. There are some challenges faced by CSR stakeholder view, transparency and accountability and social investment. With the Global Reporting Initiatives, investment in CSR activities and giving benefit to stakeholders companies can solve it.

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