

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE

N. SANTOSH RANGANATH AND G. TULASI RAO

Faculty Member Dept. of Commerce and Management Studies Dr. B.R. Ambedkar University
Srikakulam, Andhra Pradesh

Professor and Head Dept. of Commerce and Management Studies Dean - CDC
Dr. B.R. Ambedkar University Srikakulam, Andhra Pradesh

Abstract:

: Business is all about serving the needs of one's customers and clients while doing it in such a way that everyone can be proud. One core value is obviously the economic one, that is, business is expected to be profitable and to make money for the owners, shareholders, and investors. Today, moreover, business must deal with another value – the expectation that business, as it grows and especially once it attains a certain size, wealth, and prominence, be “socially responsible.” Business houses all over the world are increasing in realizing their stake in the society and engaging in various social and environmental activities. Corporate Social Responsibility (CSR) holds a very important place in the development scenario of the world today and can pose as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporates. This article takes as practical approach to explaining the concept of social responsibility in a modern-day global business environment.

KEYWORDS:

Global competition, Self governance, Strategic innovation, Ethical obligation.

INTRODUCTION

Corporate Social Responsibility - Some basic aspects

In this age of global competition, corporates are beginning to realize the stake that they have, as a part of the society. There is a growing realization that they should contribute to social activities globally with a desire to improve the immediate environment where they work and many companies are taking keen interest in such activities. Companies that pay genuine attention to the principles of social responsibility are also favoured by the public who prefer to consume their goods and services. This has given rise to the concept of Corporate Social Responsibility. By social responsibility, we mean a doctrine that claims that an entity whether it is state, government, corporation, organization or individual has a responsibility to society. According to Infosys founder, Narayan Murthy, 'social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment'. Commission of the European Communities (2001) stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders.

India lives in its villages. Literally and from the social, economic and political perspectives the statement is valid even today. Around 65% of the State's population is living in rural areas. People in rural areas should have the same quality of life as is enjoyed by people living in sub urban and urban areas. Further there are cascading effects of poverty, unemployment, poor and inadequate infrastructure in rural areas on urban centres causing slums and consequential social and economic tensions manifesting in economic deprivation and urban poverty. Hence Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and

Please cite this Article as : N. SANTOSH RANGANATH AND G. TULASI RAO , CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE : Tactful Management Research Journal (Nov ; 2013)

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE

quality social services and minimum basic needs become essential. India is primarily an agriculture-based country. Agriculture contributes nearly one-fifth of the gross domestic product in India. In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. Corporate Social Responsibility is thus considered very important as far as rural areas are concerned.

Profit Making & Social Responsibility is an oxymoron and can be strongly debated. Profit making is the essential reason for an enterprise to prolong and grow. Social responsibility is the fundamental duty of the state that must focus upon the upbringing of its stake holders with social justice. This includes proactive participation by the governance in elevating quality in work life of its citizens. Thus attempting the balance of wealth and social justice/empowerment, shall invite a synergy between the Public-Private partnership in enhancing the competitive existence & growth of national economy.

State is a necessary evil. The primordial responsibility is governance and to bring order from disorder. The concept of city-states like Greece existed, which portrayed high level of self governance and self sustenance. Besides this, for a nation to be healthy and prosperous, the state must not hinder Liberty. The world has witnessed social unrest as a cause of economic disparity, inequality, social injustice etc. resulting into world wide protests, cross border and internal disputes, civil wars, battles, regional and the world wars.

Hence, there must be continuous efforts to reduce this economic disparity amongst the country men but the irony being that the State is unable to execute its primary duties in the form of social responsibilities, either because (i) it is not able to mobilise funds, (ii) funds available are not adequate against the requirement, (iii) it is not able to utilise the funds or/and (iv) there is lack of governance and will power. As a result, the entrepreneurs in the micro community or corporate, emerge as entrepreneur cartel(s) to carry out this important assignment. They participate as social entrepreneurs and emerge as drivers to engine of economic and social growth. Strategic innovation, hence, emerges as an imperative tool towards a globally competitive existence and performance.

Current State of CSR in India

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility, with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realised then the CSR approach of corporates has to be in line with their attitudes towards mainstream business-companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc. For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE

check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations. Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children. CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status. However, the concept of CSR is not new in India. The idea of social responsibility in the Indian society, bounded by notion of caste and fate, dates back to the time of British Rule when Indian reformers launched reform movements which slowly became more socially responsible.

Beyond the private sector, corporate players in India's public sector too have been actively involved in corporate social responsibility initiatives. Most public sector units in the heavy engineering industry have not only set up a township around the plant, but also established a school, a hospital and several other civic facilities for its employees and those that live in that area. Private sector companies have been encouraged to undertake rural development programmes down the years through fiscal incentives by the government. For instance, special benefits are offered in the industrial policy to companies that set up industries in backward areas and tax incentives are also offered to companies that set up water purification projects.

In India, it has also been noticed that when it comes to individual CSR activities, the 'anonymous' donor mentality prevails. Of course, with the intense spotlight on the subject, the interest in corporate social responsibility is spreading in India as well. The Corporate Social Responsibility Survey 2002–India, jointly conducted by the United Nations Development Programme, covering 19 industry sectors reveals that this interest is growing as more and more companies in India are keen to project themselves as good corporate citizens. This was the most important factor driving CSR in India, according to the survey. Good corporate citizenship and CSR initiatives are inextricably linked with improved brand reputation, which is one of the most important drivers of CSR identified by the respondent companies. The other key drivers of Corporate Social Responsibility in India were diverse ranging from stated philosophy of founding fathers to improving relationship with local communities to enhanced shareholder value.

CSR--Identifying the Common Denominator

Any discussion on corporate social responsibility requires an understanding of the term. In addition, it is also imperative to understand as to who shall decide whether a corporate is socially responsible or not. It is interesting to note that there are innumerable definitions of CSR adding to confusion on what it constitutes. Carroll had termed the situation as "an eclectic field with loose boundaries, multiple memberships, and differing training/perspectives and multidisciplinary." At the same time the origin of most of the existing definitions of CSR can be traced to the West. Thus the way CSR is perceived and implemented is largely guided by the West to the rest of the World.

Definitions of CSR range from basic to most demanding, from specific reference to a number of necessary activities to demonstrate responsibility, to a general call for a comprehensive, integrated and committed pursuit of social and environmental sustainability. It has been defined as an integration of stakeholder's social, environmental and other concerns into a company's business operations. CSR is a process of managing the cost and benefits of business activity to both internal (workers, shareholders, investors) and external (institutions of public governance, community members, civil society groups, other enterprises) stakeholders. According to Carroll, a conscientious business should embrace economic, legal, ethical and philanthropic responsibilities.

Garriga and Mele consider CSR as an obligation of the firm to use its resources in ways to benefit

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE

society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society independently of the direct gains of the company. Relying on Parson's framework they have also mapped the territory in which most relevant CSR theories and related approaches are situated. They have thus classified the existing theories in four groups. In the first group come theories which believe that corporation is an instrument for wealth creation and that this is its sole social responsibility. This group of theories, they call instrumental theories.

The second set of theories are called political theories as they emphasize on the social power of the corporation specifically in its relationship with society and its responsibility in the political arena associated with this power. This leads the corporations to accept social duties and rights or participate in certain social cooperation. The third group includes theories which consider that the business ought to integrate social demands. These theories usually argue that business depends on society for its continuity and growth and even for the existence of business itself. These they term as group integrative theories. The fourth group of theories contends that the relationship between business and society is cemented with ethical values. This leads to a vision of CSR from an ethical perspective i.e. as an ethical obligation. These are termed as group ethical theories.

The surge in definitions and also the initiatives that go in the name of CSR, with flavours differing from region to region, implies that what CSR means is open to contest. At the same time, diversity of issues addressed under CSR umbrella precludes any attempt towards a singular universal definition. Gallie proposed the essentially contested concepts (ECC) theory to address concepts that, by their very nature, invite perpetual disputes and are inevitably contested. CSR, on account of factors such as diverse desirability, internal complexity, and open character, aggressive and defensive uses is open to consideration for being an essentially contested concept.

The changing face of Corporate Social Responsibility

The issue of whether companies should indulge in philanthropy, or should this be left to individual shareholders outside the company, is an extensively debated subject. One perspective argues that since shareholders provide capital to managers for securing a return on their investment; as long as the managers operate the business within legal and ethical frame works, there is no need for philanthropy at the company level; shareholders can do personal philanthropy, if they so desire. Alternative perspectives argue strongly for the company to give back to the society and to key stakeholders like staff, suppliers, customers, communities and the environment, at whose cost, profits are being made by the shareholders, if not the business will not be sustainable in the long run. Hence corporate social responsibility initiatives at the company level, is essential for the well being of all stakeholders and for the business to be sustainable.

But Corporate Social Responsibility and Philanthropy are different! Philanthropy is generally done without expectations of any returns; it is ad-hoc giveaways, which is less related to the core operations of the company. Contrarily, corporate social responsibility is more a 'focused' form of philanthropy directed towards specific stakeholders with clear expectations of a continued profitability in the long run. As a part of corporate social responsibility, Indian companies' contribution pattern mostly includes setting up schools, hospitals, community development, women empowerment, planting trees, nurturing art and culture. These are of course noble gestures, but more in the nature of philanthropy, remotely connected with their core business. Such initiatives are unsustainable, and can happen only till the point the company is profitable; more importantly, these 'giveaways' per say will not drive the company to remain profitable, as they are too small in scale to make any significant enhancement to the profit earning capability of companies.

Integrating business strategies with sustainability initiatives, successful companies allocate resources to ensure well being of stakeholders which also enables the company to acquire a key differentiator vis-à-vis its competition, thereby making the business sustainable. Hindustan Unilever (HUL), for example, invests in research working with nutrition and health specialists in its 'ready to eat' food business striving to reduce salt to the recommended dietary levels, reduce trans fat from vegetable oil, sugar from ready to drink teas, and drastically cut calories in children's ice creams. In its personal care business, it is moving towards 'dry shampoo' which refreshes hair between washes, reducing hot water consumption thereby reducing global warming.

With an objective to combat iodine deficiency, Tata Chemicals and HUL have pioneered iodization of salt. Their efforts in overcoming hurdles in getting iodine into salt, beating bureaucratic obstacles, investing billions of rupees in marketing and changing the mindset of the 'below poverty line' customers to pay that little extra for iodized salt, all of which are extremely challenging even for governments to accomplish. These efforts not only increased their market share and profitability but at the same time addressed one of the most important nutritional issues of national importance. Rather than paying donations, using core strengths to address social issues is the best form of sustainable corporate

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A GLOBAL PERSPECTIVE

social responsibility!

Linking sustainability to business strategy can also improve access to supply chains. Given the global shortage of pulp-wood for paper board production, ITC and Ballarpur Industries are helping small farmers with degraded land pockets by providing them saplings, financial and technical support and an assured buy back of timber; this ensures sustainable raw material supply for the company, but also improves farmer's livelihood. Such initiatives go well beyond monetary financial donations, and more importantly, is sustainable! Social initiatives can also help enhance ethical values in society and at the same time can offer a distinctive edge to companies. Fluor Corporation, one of the largest construction companies in the world, worked for three decades with Transparency International to fight corruption; today its 'anti-corruption' movement has 150 large companies across industries having signed a 'zero-tolerance' policy on bribery. In industries marred by corruption, Fluor is today perceived as an ethical player, thereby positioning itself with a significant competitive advantage.

CONCLUSION

Corporate social responsibility (CSR) is integral to long-term business success. Today's organizations must be increasingly mindful of the impact that their operations have on society at large, and this requires much more than isolated measures. In a climate of heightened social awareness and instant access to information, CSR must be a fundamental part of your company's targeted practices, broad objectives, and overall culture. CSR is generally accepted as applying to firms wherever they operate in the domestic and global economy. The way businesses engage/involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations, and other stakeholders is usually a key feature of the concept.

While business compliance with laws and regulations on social, environmental and economic objectives set the official level of CSR performance, CSR is often understood as involving the private sector commitments and activities that extend beyond this foundation of compliance with laws. From a progressive business perspective, CSR usually involves focusing on new opportunities as a way to respond to interrelated economic, societal and environmental demands in the marketplace. Many firms believe that this focus provides a clear competitive advantage and stimulates corporate innovation.

REFERENCES

- Aras, Guler & Crowther. (ed) (2009), *Global Perspectives on Corporate Governance and CSR*. Gower Publishing Limited.
- Garriga, E. M. & D. Mele (2004), "Corporate Social Responsibility Theories: Mapping the Territory", *Journal of Business Ethics* 53: 51-71.
- Jamali, Dima & Mirshak, R. (2007), "Corporate Social Responsibility (CSR): Theory and Practice in a Developing Country Context", *Journal of Business Ethics*. 72:243-62.
- Palazzo, G. S. & A. G. Scherer (2008), "Globalisation and Corporate Social Responsibility", in A. Crane et al. (eds.), *The Oxford Handbook of Corporate Social Responsibility*, Oxford University Press, New York:413-31.
- Santosh Ranganath N., (2010), *Corporate Social Responsibility in Indian Organizations, Readings in Corporate Social Responsibility: A Compendium of Papers*, VDM Verlag Dr. Muller, Germany, pp. 19-26.
- Santosh Ranganath N., Nagamani D. (2007), *Corporate Governance: Challenges and Issues*, Corporate Governance: Contemporary Issues and Challenges, Kanishka Publishers, pp. 20-26.
- Santosh Ranganath N., Tulasi Rao G. (2011), *Challenges and issues for Corporate Governance: Indian Context, Business Strategies for Sustainable Growth*, Laser Park Publishing House, pp. 1-10.
- Spector, B.(2008), "Business Responsibilities in a Divided World: The Cold War Roots of the Corporate Social Responsibility Movement", *Enterprise and Society* 9(2): 314-36.
- Wood, D.J. (1991). *Corporate social performance revisited*, *academy of management review*, 16: 691 – 718.