

Corporate Social Responsibility and India

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Abstract

Corporate social responsibility (CSR) is the focused actions of a company/corporation that desires to do well while simultaneously doing well for the community, the society, the environment and/or all other aspects with respect to general human upliftment and well-being. The term "corporate social responsibility" came in to common use in the early 1970s, after many multinational corporations formed. The term stakeholder, meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman. CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making that is the core business of the company or firm, and the honouring of a triple bottom line: people, planet, profit. This paper seeks to bring together the concepts of how corporations can engage in ethical practices that are socially responsible and how stakeholders can be the driving and directing force in that process. This paper explores the relationship between corporations and their stakeholders and how that relationship can have an impact on the ways that corporations design and implement their corporate social responsibility strategies.

Key Words: Corporate Social Responsibility, Stakeholder, Corporate Decision-Making, Organization, Society, Environment

Introduction:

Corporate social responsibility ("CSR" for short, and also called corporate conscience, citizenship, social performance, or sustainable responsible business is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers.

Definitions of social responsibility

Corporate social responsibility (CSR) is:

1. An obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society

2. The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large

3. About how a company manages its business process to produce an overall positive impact on society

In a review of the different theories of CSR Garriga and Mele (2004) concluded that the theories focused on four areas: (1) meeting objectives that produce long-term profits, (2) using business power in a responsible way, (3) integrating social demands and (4) contributing to a good society by doing what is ethically correct.

To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those

who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large (Votaw, 1972, p. 25).

Corporate social responsibility means:

1. Conducting business in an ethical way and in the interests of the wider community
2. Responding positively to emerging societal priorities and expectations
3. A willingness to act ahead of regulatory confrontation
4. Balancing shareholder interests against the interests of the wider community
5. Being a good citizen in the community

Concept of CSR

Corporate social responsibility (CSR) is the focused actions of a company/corporation that desires to do well while simultaneously doing well for the community, the society, the environment and/or all other aspects with respect to general human up-liftment and well-being.

The World Business Council best describes it as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society in large." Other terms for social responsibility include sustainability, corporate citizenship, community relations, business ethics, and cause marketing – though each focuses on a slightly different part of the business model. Industry leaders, pundits, policy makers and consumers each may have their own definition - and opinion - but one thing is for certain; CSR is here to stay and it should. The term "corporate social responsibility" came in to common use in the early 1970s, after many multinational corporations formed. It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. Corporate Social Responsibilities to my best of knowledge is the process by which organisations give back to the society. it is very important because it serve as a platform for organisations to build a long term relationship within the community in which it operates to a larger extent the members

within a society can influence the activities of the organisations positively or negatively depending on the relationship established. in marketing, the idea of corporate responsibility is a major tool to create a positive positioning in the minds of potential customers because the good deeds of an organisation to a society makes an impact upon the people and they tend to speak well about the organisation to other people and continuously it ends up advertising the organisation through word of mouth advertisement. I am of the view that social responsibility ought to be pursued by organisation due to its effectiveness in reducing marketing communication effort.

As long as good is being done for the community as a whole, it does not matter what the actually purpose was for these steps taken. In terms of benefits for the company, there are many:

1. Such as
 - a. enhanced 'brand image' with regards to trust and reputation new customers and development of a strong relationship with consumers.
 - b. better ability to attract and motivate talented workforce.
 - c. Availability of new resources by influencing key stakeholders – such as investors and policy makers.
2. On the other hand, these days, there are various negativities with companies that do not incorporate CSR:
 - a. Unfavorable public opinion and increased reputation risk (which mite lead to decreased shareholder value and diminished stock price)Increased litigation and related legal costs
 - b. on various social and environmental issues.
 - c. Decreased customer loyalty, loss of customers and/or stakeholder support due to the negative publicity garnered.

CSR & India:

We live in a developing nation, and we, as young working class members of the society, should be aware of the role we can play in the development of our nation. It is our responsibility that we

make sure that the benefits that our generation reaps are equally distributed amongst all strata of society. Hence it is very important for us to know what CSR is and what role we can play in it. This is because under the initiatives of our respective companies, we can make large impacts and make changes for the benefit of our people.

There is a part for every individual in an organization to enact a role in corporate social responsibility, since a corporation is made up of us individuals. It always has to be collective, combined efforts by all the people involved to play their part in this endeavor so that it develops into a concrete work of action. Singleton steps in isolation cannot make a huge difference to the society in general.

CSR should be more than just doing 'something good, it should rather be about making a sustainable social impact. CSR is not new to India; companies like TATA and BIRLA have been imbibing the case for social good in their operations for decades long before CSR become a popular cause. In spite of having such life size successful examples, CSR in India is in a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. It is followed by a handful of public companies as dictated by the very basis of their existence, and by a few private companies, with international shareholding as this is the practice followed by them in their respective foreign country. A lack of understanding, inadequately trained personnel, non availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. further adds to the reach and effectiveness of CSR programmes. But the situation is changing. And CSR is coming out of the purview of 'doing social good' and is fast becoming a 'business necessity'. The 'business case' for CSR is gaining ground and corporate houses are realizing that 'what is good for workers - their community, health, and environment is also good for the businesses. With Indian consumers becoming more 'cause' conscious, their brand preferences keep shifting to favour the brand that is socially more responsible. The phenomenon directly creates a connection between the sales and the CSR. The trend suggests, 'the better the CSR policy, the more the sales.' The trend affects

most product categories that are bought on a daily basis, with consumers making a purchase decision almost every day. This could be one of the major reasons why Indian FMCG companies are most actively engaged in responsible activities and rank on top in the latest Associated Chambers of Commerce and Industry of India (ASSOCHAM) report on CSR by Indian corporate. The report says that of 175 Indian companies studied, 52 companies in the FMCG sector have taken the maximum of CSR initiatives. This was followed by the chemical sector and then the IT sector. Most of the initiatives taken by the companies primarily focus on welfare of the community. 'Community welfare' ranks on top in the priority list in the ASSOCHAM study. The second most-sought-out CSR initiative was providing education and enlightening the rural youth in the country.

'It has to be understood that CSR is about how companies balance their business ethics and behaviour with business growth and commercial success along with a positive change in the stakeholder community,' Piramal added. 'Companies would also embrace responsibility for the impact of its activities on environment, consumers, employees, communities, stakeholders and all other members of the public sphere.' Bhartruhari Mahtab, member, parliamentary committee on finance, wrote: 'Ideally, CSR policy should function as a built-in, self-regulating mechanism in which companies would monitor and ensure their support to law and ethical standards. Mahtab's quote was in sync with what NR Narayana Murthy of Infosys, who stated: 'CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders

Friedman wrote his essay on corporate responsibility in 1970 where it was published in the New York Times Magazine. At that time his view was "chapter and verse" for corporate practices. Much has happened in the forty years that have transpired since the publication of Friedman's article. The power of technology has enabled stakeholders to gather and analyze information without the intervention of the corporation. As a result, stakeholders are

demanding more input regarding how corporate assets are used.

Dimensions of Corporate Responsibility:

There are four dimensions of corporate responsibility

1. Economic - responsibility to earn profit for owners
2. Legal - responsibility to comply with the law (society's codification of right and wrong)
3. Ethical - not acting just for profit but doing what is right, just and fair
4. Voluntary and philanthropic - promoting human welfare and goodwill
5. Being a good corporate citizen contributing to the community and the quality of life.

Areas of CSR:

Given the broad definition of CSR there are many areas of business operations that are affected by it. The most often mentioned elements of CSR are

Governance: Sound Governance, Ethical conduct of Staff, Transparency of operations, No conflict of interest, compliance with listing rules, compliance with corporate laws.

Risk Management: Organizational health & Safety, Product Safety, regulatory compliance, reputation management, responsible business practices, and stakeholder engagement.

Value Chain: responsible procurement, Supplier management, externalization of costs, supplier screening, Supplier feedback, fair trade.

Social: human rights, community engagement, philanthropic activities, charitable donations, staff volunteering, social benefits, Social investment.

Employees: Turn over, morale, satisfaction, work-life balance, internal culture, labour practices, job security, remuneration, diversity, equal opportunity, training.

Benefits of CSR Behaviour:

CSR behaviour can benefit the firm in several ways

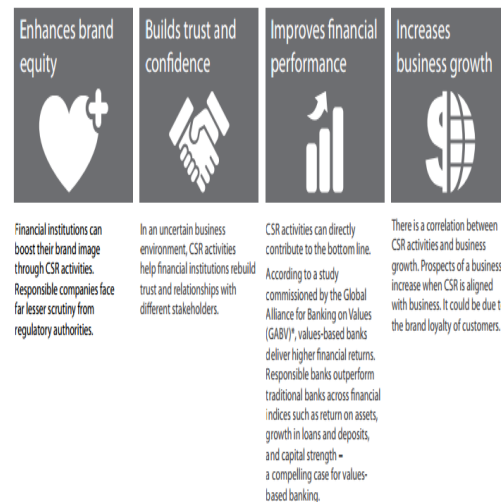
1. It aids the attraction and retention of staff
2. It attracts green and ethical investment
3. It attracts ethically conscious customers
4. It can lead to a reduction in costs through re-cycling
5. It differentiates the firm from its competitor and can be a source of competitive advantage
6. It can lead to increased profitability in the long run

Payback of Sustainable CSR

**Source: Study by Global Alliance for Banking on Values*

CSR has yielded significant benefits to society such as community welfare, economic development, and environment protection. In addition, financial institutions have realized intangible benefits, as shown in Figure 1.

Figure 1: Benefits of sustainable CSR



CONCLUSION

The firm of the future is expected to have undergone significant transformation such that CSR no longer becomes managed as a separate deliverable, but is part of the experience of being an employee in an organization that lives its values. The conclusion is that to increase the general awareness about CSR the companies have to consider environmental, social, and ethical awareness in their business strategy and try to go beyond philanthropy or charity and adopt a long term sustainable strategy in the business to become ethical corporate citizen. This can make India a place for an attractive business environment for investors.

Corporate social responsibility (CSR) is a concept describing corporate activities beyond profit-making; the term is increasingly used to describe the role of business in society. CSR involves a broad commitment by companies to social welfare and the common good and to the policies that support them. It involves not just the products that a company manufactures but also being a good corporate citizen in terms of the employees that it hires and the way it looks after them. It is also about protecting the environment and getting involved in the local community and the wider culture in which the company engages in business

By investing in CSR, companies are investing in sustainability and broader economic, social, and environmental goals. CSR remains a beaming light of success for improving the role of business in society—but is also an ongoing challenge to which companies must remain vigilant, especially in emerging markets

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