An Analytical Study of Corporate Social Responsibility Scenario in India

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Abstract

Corporate Social Responsibility (CSR) is emerging as a new field in the corporate communication research. CSR is becoming a significant issue in contemporary business, communication, management and politics, especially since the launch of the United Nations Global Compact in 2000; as an initiative to encourage businesses worldwide, to adopt sustainable and socially responsible policies, and to report on them. Today, each State in India is striving hard to compete for resources and investment and to bring the momentum of economic prosperity and welfare to the masses to some extent through CSR as well.

The research paper aims to establish the scope of the subject as it is wide and that there is no universal definition of CSR. The history of CSR would be discussed in brief for a better understanding about the concept. It will examine corporate reasons for involvement in CSR and would try to reveal that most of the research focuses on the more obvious motivations associated with corporate image management and that the underlying managerial personal values appear to have been overlooked.

The paper offers a broad context for understanding Corporate Social Responsibility (CSR) and presents here the resume on various studies undertaken by several researchers from time to time in India and abroad. The research also gives a general idea of CSR Communication. It also explores how to develop effective CSR strategies; how to align them with your company's core objectives, competencies, and stakeholder expectations; and how to maximise CSR value within the company.

Key Words: *CSR, Communication, India, Companies Act 2013*

Introduction

The idea of CSR is not new, nor the idea that the corporations should act in a socially responsible way. The concepts of corporate citizenship, sustainable industry, the triple bottom line (profit, people, and the planet), and corporate responsibility are related with CSR which makes it difficult to define. Over the past eras, the concept of CSR has become the most crucialelement in the studies of academics, industrialists and scholars[1].

The concept of CSR is one of the moral and ethical complications, which corporate decision-making and behaviour are surrounded by (Branco and Rodrigues)[2]. As a business concept, CSR had emerged in the late years of the twentieth century, when numerable companies started to consider the effects of corporate decisions on society. CSR refers to the responsibility of firms towards society.

CSR in the nation has traditionally been seen as a benevolent activity. With the development of business in India, the concept of CSR is growing. It has moved from charity and philanthropy to women empowerment and rural development, plus from institutional building to community development in the nation. Before the Companies Act, 2013[3] all the corporations were spending funds on CSR according to their own will. At present, more and more Indian business enterprises are embracing the practice of CSR under different names such as *social responsibility, corporate citizenship, corporate conscience, social audit, concerns related to stakeholders,* and *social performance.*

In India, there is a growing consciousness that business cannot flourish in isolation. So, social progress is necessary for sustainable development. The concept of helping the poor and underprivileged was cited in several ancienttexts. Philanthropy, religion, and assistance were the key CSR drivers during the pre-industrialized period. It hadbeen observed; before the execution of mandatory CSR, the companies indulged into philanthropic activities when they were in trouble.

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[1]http://shodhganga.inflibnet.ac.in/bitstream/10603/46065/13/13_chapter%202.pdf –Page 1
[2]Branco, M. C., & Rodrigues, L. L. (2006).Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics*, *69*(2), 111-132.
[3]www.mca.gov.in (Retrieved on 17.2.15)

Still, it is viewed to be comprehensive, diverse and broad. The crucial role of CSR to a greater extent is to help people change their behaviour, though the critics believe; CSR is *Corporate Conspiracy to Snatch Resources.*

The following paper establishes the scope of the subject which is extensive and emphasises that there is no universal explanation for CSR. It examines corporate reasons for involvement in CSR. Besides, it reveals that most of the research studies focus on the more apparent motivations associated with corporate image management.

Five C's in Corporate Social Responsibility

Kotler and Lee (2005) assert that there are five C's in CSR that corporations must fulfil. The first C is for '*Conviction*' which is about real improvement in business performance, not PR. The second C is all about '*Commitment*', which means "when one commits, he/she has to deliver". '*Communication*' is all about being committed to open, honest, and direct communication with all the investors. It integrates new tools of communication that are used by companies to strengthen reciprocity in communication.

Kotler and Lee discussed communication as a two-way process where all stakeholders are respected and addressed. Another C denotes '*Consistency*' which is a process of continuous improvement. For instance, CSR programs at corporate houses should be continuously implemented. The fifth "C" means '*Credibility*' which is the firm's ability to trust their performance on the integrity of the efforts made. The companies should regularly evaluate and consider new or modified business practices to improve the quality of life. At the same time, provide some net value to the firms,preferably operational relationship-building.

Defining Corporate Social Responsibility

Despite numerous efforts about presenting an all-encompassing definition for CSR, there is still ambiguity in the academic as well as the corporate world (Dahlsrud, 2008). In fact, "there are many available definitions of CSR, and they are consistently referring to five dimensions" (ibid., 6)[4]. These dimensions are identified and categorised in *Dahlsrud's* (2008) study of 37 CSR definitions in the time span between the years 1980 to 2003 as *voluntariness, stakeholders,*

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[4]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

social, environmental and *economic responsibilities*[5]. Thus, CSR is defined as the voluntary commitment of enterprises to take part in activities with social and ecological objectives. Moreover, it can also be interpreted as considering ethical issues towards different shareholders in companies' enactments (Durmaz et al., 2011)[6]. These objectives are not contrary to profit intentions, but they will influence the way in which profit (value) is created. Therefore, it is assumed that in the profit-chasing view of the firm, there are additional long-term benefits in investing in businesses with a socially responsible agenda.

The concept of CSR has changed its focus many times in the last 50 years– from an initial inexplicit awareness of the relationship between firms and their social-environmental reference context to an absolute identification of rules of conducts and management tools (Perrini, 2005, 611)[7]. Currently, more citizens are becoming aware of the concept of corporate responsibility which leads them to demand enterprises to be answerable and takes responsibility for the consequences of the firms' deeds (Hartman, 2011)[8]. The use of CSR for establishments, on the other hand, claims to act as a capable device to face the harmful impacts of any disaster as a proactive risk management toolkit (Vanhamme and Grobben, 2008)[9]. Nevertheless,CSR takes a prominent place in the global corporate programs in the current socially sensible market situation (Du et al., 2010)[10].

The early roots of CSR can be found back in1917. Henry Ford declared the aim of Ford Motor company was, "*to do as much as conceivable for everyone concerned, to make money and use it, give work, and send out the car where the persons can use it and incidentally to create money*" (Lee 2008, p. 54)[11]. Eighty years later, Henry Ford's great-grandson, William Clay Ford Jr emphasised that Ford company value all shareholders' interests as well as the social welfare of workers and stakeholders. He said that "*we want to find inventive ways to delight customers, provide superior returns to shareholders and make the world a better place for us*" (Meredith 1999, p. 157)[12].

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[5]http://kantakji.com/media/3452/z113.pdf (Retrieved on 15.05.16)

[6]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

[7]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

[8]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

[9]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

[10]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 15.05.16)

[11]https://www.researchgate.net/publication/312710036_Literature_Review_of_Corporate_Social_Responsibility (Retrieved on 15.05.16)

[12]https://www.ijmra.us/project%20doc/2017/IJRSS_MAY2017/IJMRA-11644.pdf (Retrieved on 15.06.17)

By business viewpoint, Ford was one of those firms, which initiated social responsibility activities. From a research perspective, many scholars believe that the notion of CSR first came up in 1953 when it befitted an academic topic in HR Bowen's '*Social Responsibilities of the Business*'. Since then, there have been continuous deliberations regarding the notion and its implementation. Though the idea has been around for more than half a century; there is still no clear consensus over its definition[13].

According to the American author Archie B. Carroll, **Harold Bowen** was "*The father of CSR*" as; he published in 1953 the '*Social Responsibilities of the Businessman*'. Earlier in the 1930s and 1940's Carroll pointed out that there were "references to a concern for social responsibility". In 1946, *Fortune Magazine* had already surveyed 'businessmen' about their social responsibilities (Carroll 1999: 270) and even earlier than this, Mary Parker Follett had written about "…the idea of service [in business] as expressing man's altruism" (Follett, [1925] 1973: 103)[14].

In 1999, Archie B. Carroll published an article on fifty years of American research on CSR, from 1950 to 2000. The report included different terms: *social responsibility, (corporate) social responsiveness, corporate social performance (CSP), corporate citizenship, corporate philanthropy, community relations, public responsibility, public policy, social issues management and corporate social policy process*. All these terms encapsulate the perception of responsibility to society.

Nevertheless, CSR literature is not clear, precisely how extensively "society" is defined regarding the community size to which the firm is, or should be, responsible (Wood, 1991: 701).

Other definitions of CSR are:

World Business Council for Sustainable Development outlines CSR as *"The persistent 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 the local community and society at large*[15]"

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[13] Special Issue On National Level Conference Business Growth and Social Development Pages 25-32, 2014
Website: www.ijsrm.in ISSN (e): 2321-3418 (Retrieved on 12.07.2015)
[14]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved on 12.07.2015)
[15]http://mallenbaker.net/article/clear-reflection/definitions-of-corporate-social-responsibility-what-is-csr
(Retrieved on 12.07.2015)

One of the contemporary definitions is from the **World Bank Group** which states, "*Corporate Social Responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, the local community and society at large. Mainly to improve their lives in ways that are good for business and development.*"[16]

CSR in the World

CSR has been termed as a motherhood issue (Ryan, 2002). Concerns about the overindulgence of the East India Firm were frequently expressed in the 17[th]century. There has been a tradition of good capitalism in the UK for more than 150 years. For example, *Quaker* families such as the *Hersheys, Cadburys,* and *Rowntrees* who sought to improve their workers' standard of living as well as improving the communities in which they lived (John, 2005).

The perspective expressed by Adam Smith over 200 years ago still forms the basis for free-market economies in the 21st century. In the 19th century, several owners assumed an active, and indeed, a leading role in the improvement of the local communities and society where they were centred. Business leaders helped to build schools, universities and also made financial contributions over and above their taxes to support infrastructure projects, sports, and recreation facilities. Several reports cited that great cities like Manchester, Bombay, New York, and Sydney were given many of their public assets such as libraries and concert halls by the business leaders of that time. Several business frontrunners such as, *Carnegie, Rockefeller*, and *Wellcome* went on to endow great foundations to carry on the community work that they saw as their ―good citizenship or social responsibility and established a new level in corporate charitable behaviour (John Hancock, 2005)[17].

Carroll identified the 1980s as the era when intellectuals were gradually becoming interested to know whether socially responsible firms were also profitable firms or not. In 1985, Aupperle, Carroll, and Hatfield's did a study on the relationship between CSR and profitability that ordered

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[16]https://www.academia.edu/11078330/CORPORATE_SOCIAL_RESPONSIBILITY_INTEGRATING_CSR_WITH_BUSINESS_VALUE (Retrieved on 22.07.2015)

[17]http://www.assignmentpoint.com/business/report-on-corporate-social-responsibility-accounting-practices-of-cbs-in-bangladesh-an-illuminating-study-with-mercantile-bank-limited.html (Retrieved on 22.07.2015)

the priorities of four components of CSR previously identified by Carroll, as economic, legal, ethical, and discretionary (Carroll, 1999)[18].

CSR Practice in Asia

CSR has developed in different parts of the world in different ways. Asia is experiencing the most rapid economic growth of any of the world's regions. As per *Asia Business Council* in 2008, CSR flows naturally from the social contract that defines the association between business and society. Although philanthropic practices of firms in Asia are not new, the concept of CSR has primarilycome from the Western domain (Mohan, 2001; Moon, 2002). Intercontinentalorganisation, trade union, human rights organisation, lobbyists, and regulators have initiated a variety of activities.

Evolution of CSR in India

CSR in India is identified since ancient time as social duty or charity, which through different ages is changing its nature in a broader aspect. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of the industry. Though the term CSR is comparatively new for India, the concept itself dates back to over a hundred years as the coun try has one of the richest traditions of benevolence[19]. India had a long culture of *corporate philanthropy*, and industrial welfare has been practised since the late 1800s[20]. CSR is recognised as an essential function contributing toaccelerating the process of overall development of a nation.

India is the second most populous state in the world[21]. It is home to the substantial number of people in need of essential amenities. Therefore, it calls for more intensive efforts as part of such initiatives in the healthcare space of the nation[22]. Indian companies are now expected to exonerate their stakeholder accountabilities and societal obligations, along with their shareholder-wealth maximisation area. The researcher divides the evolution of CSR into four major phases to understand it better.

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[18]http://www.assignmentpoint.com/business/report-on-corporate-social-responsibility-accounting-practices-of-cbs-in-bangladesh-an-illuminating-study-with-mercantile-bank-limited.html (Retrieved on 22.07.2015)
[19]https://www.coursehero.com/file/17085826/Evolution-of-csr-in-Indiapdf/ Page 2 (Retrieved on 15.08.16)
[20]http://isrj.org/UploadedData/8513.pdf Page 4 (Retrieved on 25.08.16)
[21]India | National Pork Producers Council.(n.d.).(Retrieved from http://nppc.org/issues/issue/india/ on 15.08.16)
[22]http://isrj.org/UploadedData/8513.pdf Page 4 (Retrieved on 25.08.16)

Today, CSR in India has gone beyond merely donations and cheque writings. It is approached in a more organised manner now. It has become an integral part of the corporate strategy. Nowadays, CSR and the maintenance of high ethical standards is not an option but an obligation for all business. CSR as a notion has been the focus of numerous discussions and has transformed from a purely philanthropic to a systemic and, finally, planned activity. India is the first nation in the world to have passed CSR mandates. Though the US has a vibrant presence of industrial firms and big corporate yet it has only some orders for reviewing reports on corporate spending, but there is no strong legislation for CSR spending, as in India.

After the enactment of the Companies Act-2013[23](discussed in detail later), it is anticipated that approximately 2,500 companies have come in the ambit of mandated CSR; the budget could touch around Rs 15,000 crores.It is assumed that the new law will be a game-changer, infusing new investments, accountability and strategic efforts in the way CSR is being comprehended and managed in India.

Why are companies engaged in CSR?

The general public now expects companies to not only make good products and provide excellent services but also be socially responsible in the nearby areas. Moreover, several companies are increasingly recognising that active management can improve the bottom line by enhancing operations and making them more competitive.

In the present competitive business environment, corporate enterprises are socially responsible for contributing some profits to social improvement. Every enterprise should not be expected to be involved in every aspect of the social development of a nation. However, a firm to be engaged in some traits, both within thecompanyand on the outside, will make its merchandises and services more eye-catching to users as a whole.Thus, making the corporatesmore profitable. This action will increase the overheads to implement CSR, but the benefits are likely tooffset the costs far.

Current Scenario in CSR

The Companies Act, 1956 in India did not contain any provision regarding CSR. The scenario of CSR in nation changed with the introduction of Companies Act, 2013. The industrial lobbies are

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[23]www.mca.gov.in(Retrieved on 24 July,2015)

abuzz with the CSR clause introduced by the Companies Act, 2013. As per the *Indian Institute of Corporate Affairs*, from 1.3 million enterprises in India, about 6,000-7,000 firms are covered under the new mandatory CSR rule. Scholars, industry insiders, and the civil society are debating the earmarking of 2% of the net profits of a qualifying company for CSR initiatives.

The paper titled *India's Mandatory CSR, Process of Compliance and Channels of Spending* by Satish Y. Deodhar (2015) discusses the perceived arguments against compulsory CSR, the issue of fastening CSR spending to the minimum mandatory obligation, and the channels of CSR spending by enterprises.

The paper also laid out the various provisions of the CSR norms as per the new Act 2013, the procedure of its implementation, accountabilities of the company's board and list of activities that qualify for the CSR compliance.

Utkarsh Majmudar, Namrata Rana and Neeti Sanan (2014, 2015, 2016 and 2017) conducted a study titled "*India's Top Companies for Sustainability and CSR*" for four consecutive years till date. Since the mandatory Companies Act 2013; *CSR News, Futurescape*, *the Economic Times* and *Indian Institute of Management, Udaipur* released the analytical reports. These reports examine publicly available sustainability reports, annual reports, and business responsibility reports to rate each company's performance in the areas of Governance, Disclosure, Stakeholders and Sustainability.

In 2014, they studied top 100 companies for CSR. In the year 2016-17, they have expanded the study to more than 200 organisations based on the consistent set of parameters – governance, disclosure, CSR stakeholders, and sustainability. According to a report by *NGOBOX* featured in the *Economic Times*, "the data from 2015-16 suggests an increase in adherence to the documentation procedures and a substantial increase from 79% in 2014-15 to 92% in 2015-16 of actual CSR spend to the prescribed CSR.[24]"

Dr B.K.Jha and Rini Singh (2016) in their research article *titled "Corporate Social Responsibility in India"* talked about the outcomes, issues, and challenges faced by different Indian organisations while implementing CSR after the Companies Act, 2013. As per the study, the Companies Act, 2013 is emerging as a catalyst in the socio-economic development of the

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[24]https://csrbox.org/csrReportDetail.php?name=India-CSR-Outlook-Report-2016&id=25

country. Due to the provisions of CSR, it is evolving as a new tool of social development. It pointed out; there is a lack of interest of the general public in participating and contributing to CSR activities of companies.

From 2014-18 mainly the various studies were in the milieu of the introduction of mandatory spending on CSR after the enactment of Companies Act, 2013. The focus of the enterprises has now shifted from expecting the change and trying to understand the implications of the change to implementing it. It is in the initial stage. Hence, in the upcoming years, companies tend to shift their focus from anticipating to implementing and monitoring.

CSR Communication

Companies' disclosure of their CSR activities is stated within non-financial reports to direct their CSR message to different groups of patrons. Nowadays, "CSR reports are becoming a more permanent feature of the business landscape" (Perrini, 2005, 611)[25]. Any payback from CSR activities is highly related to stakeholders' awareness of a firm's CSR enactments (Du et al., 2010). However, CSR communication is very challenging for businesses as "[…] stakeholder expectations' regarding CSR is a moving target. It must be considered carefully on a frequent basis" (Morsing and Schultz, 2006, 323)[26].

Issues related to CSR and Communication

The communication of CSR issues is reported without consideration of how they are communicated. Issues as values, mission, vision, and workplace climate, human rights, social dialogue, community involvement, environment, development of the local economy, market relations, and ethics must be communicate to make CSR an effective activity. Looking at recent trends, three channels need to be looked into:

i). Social reports - "The social and environmental effect of organizations' economic actions to particular interest groups within society and to society at large" (Gray et al., 1996)[27]. Stakeholders often alleged companies of writing arbitrary reports. To avoid this, the adoption of international reporting standards and third-party certification is helpful.

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[25]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved 12.12.15)
[26]https://stud.epsilon.slu.se/5119/1/Adldoost_M_121205.pdf (Retrieved 12.12.15)

[27]https://www.turkaramamotoru.com/en/social-accounting-7037.html (Retrieved 12.12.15)

ii). Via web –This is the second channel considered in CSR communication. According to the results obtained by recent studies, even though the exact relationship between websites' agendas and the public agenda has not yet been discovered, there is strong evidence of the fact that they converge (Ku, Kaid and Pfau; 2003). Using corporate websites to influence public opinion on issues has great potential that few companies seem to have understood in the past (Esrock and Leichty, 1998).

iii). Advertising- In fact campaigns containing social elements have been abundantly used in the last decades, but the evaluation of their success has been quite controversial. The public for the social dimension itself often criticizes these campaigns.

Conclusions

It can be concluded that CSR and the maintenance of high ethical standards is not a choice but an obligation for all business. CSR as a notion has been the focus of various reflections and has renovated from a purely philanthropic to a systemic and finally a strategic activity. India is the first country to have legislated CSR mandates. Though USA have a rich presence of industrial firms and big corporates yet it has only some mandates for reviewing reports on corporate spending. At present there is no strong legislation, for CSR spending.

The article published on 20th January, 2016, in the *Economic Times* states that Education & skill development, healthcare & sanitation, rural development projects and environment topped the 'cause-list' of Indian companies, mandated to allocate a portion of their profits to community development.

Only looking at the financial aspect of CSR is not enough, how it is being implemented and evaluated required to be looked into as well which the further study aims at.

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