

A STUDY OF CORPORATE SOCIAL RESPONSIBILITY EVOLUTION

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Abstract :

Corporate social responsibility (CSR) is a catchword worldwide. In today's globalized world, one of the great challenges faced by firms is incorporation of CSR in business. Investors require a lot more from companies than purely chasing growth and profitability. CSR has been introduced from long time in India and other emerging markets. From approachable activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. This paper focuses on the concept of CSR, its scopes and connotation in developing markets with special reference to India.

The term of Corporate Social Responsibility (CSR) is not new in India. It arose from the 'Vedic period' when history was not recorded in India. In that period. Kings had responsibility towards society and traders exhibited their own business responsibility by edifying places of worship, education. Corporate Social Responsibility has been defined and hypothesized in several ways during the past four centuries following a process of analysis, debate and scholarly battle around the theme. The concept 'Corporate Social Responsibility' (CSR) refers to 'soft', voluntary self regulation accepted by firms to improve aspects of the company, this can relate to labour, environmental and human rights issues.

Key Words: CSR, Sustainability, Stakeholder

Definition :

Despite several efforts to bring about a clear and unbiased definition of CSR, there is still some confusion as to how it should be defined.

Corporate Social Responsibility is about companies having responsibilities and taking actions beyond their legal obligations and economic/business aims. These wider responsibilities cover a range of areas but are frequently summed up as social and environmental - where social means

society broadly defined, rather than simply social policy issues. This can be summed up as the triple bottom line approach: i.e. economic, social and environmental.

Corporate social responsibility (CSR) is also called corporate responsibility, corporate citizenship and corporate social opportunity whereby organizations consider the interests of society by taking responsibility for the impact of their activities on consumers, dealers,



personnel, investors, communities and other stakeholders, as well as the environment.

According to **The World Business Council For Sustainable Development**, "Corporate Social Responsibility is 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 at large".

CSR is an progeny of business ethics. However business ethics is related particularly with moral values, while CSR emphasizes more on the social, ecological and sustainability issues than on morality. In the words of **A.P.J. Abdul Kalam**—Corporate decision making and policy making is linked to ethical values, compliance with legal requirements and respect for people, communities and the environment around the world. Corporate social responsibility is necessarily an evolving term that does not have a standard definition or a fully recognized set of specific criteria.

Indian Scenario :

If we see the history of CSR in India it has its four stages which run parallel to India's historical growth and has resulted in different approaches towards CSR.

The First Phase :

In the first stage charity and donations were the main components of CSR. Culture, religion, family values and tradition and industrialization had an persuasive effect on CSR. In the pre- industrialization period i.e. till the end of 1850, wealthy traders donate their part of wealth with the widespread society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their warehouses and money and thus securing an integral position in the society. When the rule of colonial existed in India from the 1850s onwards, the method towards CSR has changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly tending towards economic as well as social contemplations. However it has been observed that their efforts towards social as well as industrial development were not only driven by self-effacing and religious motives but also influenced by caste groups and political objectives.

The Second Phase :

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. *"I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories."* This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. ¹According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses



established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase :

The third phase of CSR (1960–80) adopted "mixed economy", with advent of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a back foot. The public sector was seen as the prime motivator of growth. Because of the rigorous legal rules and regulations surrounding the accomplishments of the private sector, the time was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate misconducts. This led to performing of legislation regarding corporate governance, labour and environmental issues. Public Sector Units were set up by the state to ensure suitable dispersal of resources (wealth, food etc.) to the poor. However the public sector was effective only to a certain limited degree. This is diversion of expectation from the public to the private sector and their active contribution in the socio-economic development of the country became unconditionally necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on corporate social responsibilities aimed at reconciliation. They emphasized upon transparency, social responsibility and regular investor dialogues. In spite of such attempts the CSR failed to achieve its target.

The Fourth Phase :

In the fourth phase (1980 - 2015) Indian companies started vacating their traditional commitment with corporate social responsibilities and integrated it into a defensible business strategy. In the 1990s the first step towards globalization and economic liberalization were commenced. Controls and licensing system were partly done away with, which gave a lift to the economy, the signs of which are very apparent today. Increased growth motion of the economy helped Indian companies to grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has changed India into an important target in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more anxious about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the developed countries need to pay a close attention to requirements with the international standards.

Corporate Social Responsibility - History :

The concept of CSR has a long and wide-ranging history. It is necessary to find evidences of the business community's concern for the society. A survey of the literature on studies related to Evolution and Understanding of concept, Awareness, Motivation, Perception and behavior, Reporting Practices towards Corporate Social Responsibility Practices in Small and Medium Enterprises specifically has been made to identify the current status of research on the topic. The brief abstracts of these studies have been given below:



Priyanka Verma and Anupam Singh (2016) :

Developing Stakeholders Trust through CSRR reporting: An Analytical Focus shows that a true and sincere corporate communication leads to the building of stakeholders' trust. It also assessed the extent and nature of CSR reporting by Indian companies. The results indicated that there is no significant relationship between a firm's profitability and its corporate social disclosure (CSD). However, a firm's ownership (private sector or public sector) has influence on CSD practices. The findings also suggest that firm size has a positive association with CSD under the community development theme. This implies that large companies with public visibility favour community development. Finally, the study ends with a conclusion that has strong managerial implications: sincere and honest social reporting can develop a better relationship with all beneficiaries

Sumona Ghosh (2015) :

The study aims to explore the establishment of a pattern of participation of corporate social responsibility (CSR) activities amongst private sector companies as reflected in the respective company documents in the public domain, taking absolute profit as the consideration. The study showed that the most preferred CSR activities were education, health and environment. Drinking water and sanitation and urban hoisting were the least preferred activities. Significant correlation was observed with respect to various CSR activities that the companies were responsive to. Companies belonging to the manufacturing sector and the diversified sector have shown the highest responsiveness towards such activities. Companies have attached the highest importance (Level 1) to the following CSR activities: education, environment, health, rural upliftment and others.

Legal Framework of CSR :

The first formal attempt by the Government of India to place the company social responsibilities issue on the table was within the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). before this, the importance of corporate social responsibilities was discussed within the context of corporate governance reforms, like within the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). it's within the Voluntary Guidelines of 2009 that the core elements of a company social responsibilities policy was spelt out that included look after all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for the environment and activities to market social and inclusive development. the rules specifically drew a distinction between charity and CSR activities, and highlighted the voluntary nature of CSR activities that transcend any statutory or legal obligation. the rules of 2009 were followed in 2011 by the National Voluntary Guidelines of Social, Environmental & Economic Responsibilities of Business, also issued by the MCA (MCA, 2011). These guidelines were reportedly supported the inputs received from vital stakeholders' across the country and laid down nine principles for businesses to function during a responsible manner to push inclusive economic process at the national level. As within the case of the 2009 Guidelines, the 2011 Guidelines were voluntary in scope wherein corporate were urged to adopt



all then principles, and to report their adherence to the guidelines based on an apply-or-explain principle. Interestingly, while one in all the implementation strategies suggested within the 2009 Guidelines was to earmark —specific amount associated with profits after tax, cost of planned CSR activities, or the other suitable parameter, no such suggestion was included in the 2011 Guidelines. The transition from a voluntary CSR regime to a regulated regime came when the Securities Exchange Board of India (SEBI) required the highest listed 100 companies, as a part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities within the Business Responsibility Reports (BR Reports) accompanying the Annual Reports. This, SEBI opined was within the larger interest of public disclosure and represented a move towards integrating social responsibility with corporate governance. the foremost ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the businesses Act 2013 (MCA, 2013). India`s new Companies Act 2013 (Companies Act) has introduced several new provisions which changed the face of Indian corporate business. One in every of such new provisions is Corporate Social Responsibility (CSR). Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the businesses Act additionally because the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has get effect from 1 April 2014. Applicability: Section 135 of the businesses Act provides the brink limit for applicability of the CSR to an organization i.e. (a) net worth of the corporate to be Rs 500 crore or more; (b) turnover of the corporate to be Rs 1000 crore or more; (c) Net Income of the corporate to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR aren't only applicable to Indian companies, but also applicable to branch and project offices of a distant company in India. CSR Committee and Policy: Every qualifying company requires spending of a minimum of 2% of its average earnings for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company are required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of three or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the quantity of expenditure to be incurred on the activities referred and monitor the CSR Policy of the corporate. The Board shall take into consideration the recommendations made by the CSR Committee and approve the CSR Policy of the corporate. Activities under CSR: The activities that may be done by the corporate to realize its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or the other fund founded by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and girls and such other matters as is also prescribed. The introduction of CSR provision within the Companies Act may be a welcome step and every one company which satisfies the CSR criteria will undertake CSR activities under the new CSR regime during current year. This step will boost much required social projects with some professional management of the private sector. India became the primary country to incorporate provisions on CSR in Company Law and make CSR expenditure mandatory for corporate supported pre-specified criteria. Within the remainder of



the planet, however, CSR remains a voluntary exercise left to the discretion of the corporate. What's mandatory at the most is that the compulsory reporting of CSR activities undertaken by corporate in an exceedingly growing number of nations, although this too isn't the case across all countries.

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