

Corporate Social Responsibility – Implications and Impact in India

Dr. Keshava K. G.

Principal, KWT's Divekar College of Commerce, Karwar

Introduction

Corporate Social Responsibility is becoming interconnected with corporate governance, social inclusion and economic growth. It has become an important component in the process of nation building. Corporate Social Responsibility has been getting incorporated into the business strategy by most of the industries today Business in the present environment is addressing socio-economic concerns along with maintaining of business profitability. The major areas covered by the Corporate Social Responsibility initiatives include education, health, livelihood creation, environment and rural development. The present study has made an analysis of the emergence of Corporate Social Responsibility as part of business strategy across the countries in general and in India in particular. The mandatory provisions of the Companies Act 2013 relating to the Corporate Social Responsibility have been provided in this context.

Corporate Social Responsibility - Conceptual Dimensions

The concept of Corporate Social Responsibility relates to the responsibilities that the business has towards the society. The concept captures a spectrum of values and criteria for measuring a company's contribution to social development. The concept has grown in importance both academically as well as in business sense. The use of Corporate Social Responsibility has led to the emergence of some complementary and overlapping concepts such as corporate citizenship, business ethics, stake-holder management and sustainability. A widely used definition of Corporate Social Responsibility has been given by the European Union. A renewed EU strategy – 2011-14 for Corporate Social Responsibility – European Commission Press release http://ec.europa.eu/press/2011/10/25/111025_01_en.htm 25 october 2011. It describes the Corporate Social Responsibility as it the concept that an enterprise is accountable of its impacts on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life workforce and their families as well as local community and society at large.

The implications of this definition relates to ensuring the success of business by enclosing of social and environmental considerations into a company's operations, satisfying the shareholders and customers demand while also managing the expectations of other stakeholders such as employees, suppliers and the community at large. It also refers to contributing positively to society and managing organizations environmental impact. Corporate Social Responsibility includes the activities that a company undertakes in order to utilize their profit to enable social and environmental development. It includes the methods that a company employs in order to earn the profits including socially responsible investments. Corporate Social Responsibility aims at maximizing the company's overall impact on the society and stakeholders while considering environmental and overall sustainability. Corporate Social Responsibility is basically concerned with philosophical, ethical, environmental and legal as well as economic responsibility according to another study in this context.

Corporate Social Responsibility policies across Countries

Large corporations have realized the importance of implementing Corporate Social Responsibility initiatives where their business operations are located. Some of the initiatives taken by corporations in some of the countries implementing the Corporate Social Responsibility policy are noteworthy. The organization for Economic Cooperation and Development (OECD) established a set of guidelines for multinational enterprises in 1976. It becomes a pioneer in developing the concept of Corporate Social Responsibility. In addition to the OECD 30 member countries a few other countries have endorsed the guidelines. In 2003 the Malaysian Government passed regulation to mandate all publicly listed companies to publish their corporate Social Responsibility initiatives in their annual reports a "complier explains" basis. In 2009 Denmark mandated Corporate Social Responsibility reporting by all state owned companies and companies with a total assets of more than \$ 19 million, revenues of more than \$ 38 million and more than 250 employees to report to their social initiatives in their annual financial reports.

Corporate Social Responsibility standards are mandatory. But there are others which comprise of both mandatory and voluntary standards. In 2006 the British companies listed in United Kingdom to include information about these Corporate Social Responsibility activities in their annual reports.

France (“How France’s new sustainability reporting law impacts us companies – EY report”) passed a law called Grenelle with a view to provide transparency from business on environmental social and governance front. The law maintains integrated sustainability and financial reporting for all companies listed on the French Stock Exchange including subsidiaries with sales revenues of more than \$ 400 million and more than 2000 employees.

Counties like Brazil, China and South Africa have become forerunners in Corporate Social Responsibility reporting in the developing involvement in Corporate Social Responsibility related activities. Their objectives are related to promote the listed companies credibility, transparency and endurance.

Corporate Social Responsibility – Initiatives in India:-

Corporate Social Responsibility as a policy concept came into common use during the early 1970s in India. There has been a shift in focus from charity and traditional philanthropy toward a direct engagement of business in mainstream development and concern for the socially disadvantaged groups in the society. There is a good realization in India that business can succeed only with social progress leading to sustainable growth. It is realized that an ideal Corporate Social Responsibility practice has both ethical and philosophical dimensions. This aspect is more relevant in India where there is a wide gap between sections of people in terms of income and standard as well as socio-economic status. The evolution of Corporate Social Responsibility in India relates to changes over time in cultural norms of corporation’s engagement, they refer to the way business managed to develop positive impacts on societies and environment in which corporations operated during the independence movement in India toward social reforms to encourage empowerment of women and rural development. Corporate Social Responsibility In India in recent years have started focusing on need based initiatives aligned with national priorities such as health education, livelihood, water conservation and natural resources management.

Regulatory Measures under Corporate Social Responsibility in India – Rules under Companies Act, 2013

The Companies Act 2013 has provided for the Corporate Social Responsibility activities by the Corporate Sector. With effect from April 01, 2014 every company – private limited or public limited – which either has a net worth of Rs. 500 crore or turnover of Rs. 1000 crore or net profit of Rs. 5 crore needs to spend at least 2% of its average net profit 3 financial years on Corporate Social Responsibility activities. The Corporate Social Responsibility activities should be those mentioned in schedule VII of the 2013 Act. The activities undertaken by a company under the Corporate Social Responsibility obligations include eradicating hunger, poverty and malnutrition, promoting preventive health care, promoting education and promoting gender equality etc. The companies have to constitute a Corporate Social Responsibility Committee of the Board. Joint undertaking of the Corporate Social Responsibility activities can also be undertaken by companies. However commenting on the legally mandatory nature of the Corporate Social Responsibility a researcher (“Brijesh Kumar (2018)- CSR : Forcing Corporates into Social Sector is a bad idea – Deccan Herald – Nov-23-2018 P.11) has viewed that’s Government and NGOs should take the sole responsibility in this area of social development instead of pushing corporate entities.

Major Areas of Corporate Social Responsibility Initiatives Adopted by Companies in India:-

Corporate Social Responsibility initiatives adopted by companies includes-

- Education
- Health Care
- Environment
- Livelihood and
- Rural Development

Education

Education as an area of focus in Corporate Social Responsibility implementation relate to,

- i. Running own schools
- ii. Infrastructure Support
- iii. Quality of Education
- iv. Adult Education and

v. Scholarship

Health Care

The Corporate Social Responsibility initiatives of the companies in this area include

- i. Infrastructure and Equipment Support
- ii. Maternal and Child Health
- iii. Health Camps
- iv. Geriatric Care and
- v. Water and Sanitation

Environment

Betterment of Environment through Corporate Social Responsibility initiatives includes'

- i. Water Conservation
- ii. Waste Management and
- iii. Green Initiatives

Livelihood

Livelihood support through Corporate Social Responsibility initiatives includes'

- i. Income Generation
- ii. Skill Development

Rural Development

The initiatives of Corporate Social Responsibility in this area include,

- i. Awareness Generation
- ii. Infrastructure Support
- iii. Youth Clubs
- iv. Rehabilitation and
- v. Support for differently-abled

National Voluntary Guidelines Social Environmental and Economic Responsibilities of Business

The Ministry of Corporate Affairs has laid down the Voluntary Guidelines (NVGS) and Social Environmental and Economic Responsibilities of Business for purpose of adoption of common set of standards for companies. They are

1. Businesses should conduct and govern themselves with ethics transparencies and accountability.
2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
3. Businesses should promote the well being of all employees.
4. Businesses should respect the interest of and be responsive toward all stakeholders especially those who are disadvantaged vulnerable and marginalized.
5. Businesses should respect and promote human rights.
6. Business should respect protect and make efforts to restore the environment.
7. Businesses when engaged in influencing public and regulatory policy should do so in a responsible manner.
8. Business should support inclusive growth and equitable development.
9. Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Conclusion

A positive interrelationship is found among the Corporate Social Responsibility, corporate governance, social inclusion and economic growth, Corporate Social Responsibility and the maintenance of high ethical standards is not an option but an obligation for all businesses. Nearly all industries have realized the necessity of incorporating Corporate Social Responsibility into the business strategies and the necessity to include all the relevant stakeholders in their growth process. Corporate Social Responsibility in India is healed in a positive direction. Different organizations (DPA, MCA and IICA) have set the wheels in motion and are playing an important role in making Corporate Social Responsibility a widespread practice.

References

1. D. S. Prathima (2015) – The Ten Companies with Best CSR Reputations – EAR.15. Swiss Conference – Zurich – Switzerland.
2. Bhattacharya C B et as (2011) Leveraging Corporate Social Responsibility – TheStakeholder Route to Business and Social Value – Combridge UK – Cambridge Univeristy Press.
3. European Commission Press Release (2011) - A Renewed EU Strategy 2011-14 for Corporate Social Responsibility <http://ec.europa.eu/enterprise/news room / et / get document cfm>
4. Brijesh Kumar (2018) – CSR – Forcing Corporates into Social Sector is bad idea. Deccan Herlad – Nov – 23-2018. P 11
5. Prabhakar Kulkarni – (2019) Corporate Social Responsibility – Bhavan’s Journal Sept 30 – 2019- Vol-66 No-4