



## Evolution and Growth of Corporate Social Responsibility in India

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### ABSTRACT

Corporate social responsibility, often abbreviated "CSR," is a corporation's initiative to assess and take responsibility for the company's effects on environmental and social wellbeing. The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups. CSR may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. Some think corporate social responsibility is an oxymoron. Others see corporate social responsibility as a distraction of a different sort, that is, from the lawful pursuit of profits. To them, a corporation's sole responsibility is to generate returns for its shareholders, not to try to save the world or to fret over its own impact. Some counter that this concern is misplaced, since responsible initiatives can increase brand loyalty and therefore profits. This may become increasingly true as ethical consumer culture gains wider acceptance. Today, a shift has occurred in the way people conceptualize corporate social responsibility. For decades, corporate business models have been assumed to be necessarily harmful to certain communities and resources. The intention was therefore to mitigate or reverse the damage inherent in doing business. Now many entrepreneurs consider profit and social-environmental benefit to be inextricable. The present study reveals the concept and origin of Corporate Social Responsibility in India. It also describes the growth, focused areas of CSR and responsibilities of Indian companies towards society and its stakeholders.

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### 1. Introduction

Corporate Social Responsibility (CSR) is not a new concept in India. Through donations and charity events, many 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. CSR which has largely been a voluntary contribution by corporates has now been included in law. There is a debate as to whether any penal consequences will emanate on failure to spend, or an explanation in the directors' report on the reasons therefore are only warranted. There may be reluctance in compliance, especially in case of companies which are not profitable, but fall under the designated category due to triggering net worth or turnover criteria. It is not clear what all constitutes CSR activities as the list specified under Schedule VII of the Act seems like an inclusive list and not exhaustive. A company may also implement its CSR programs through non-profit organizations that are not set up by the company itself. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying out activities in related areas. Companies may collaborate or pool resources with other companies to undertake CSR activities. Only such CSR activities will be taken into consideration as are undertaken within India. Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity. Companies shall report, in the prescribed format, the details of their CSR initiatives in the Directors' Report and in the company's website. The CSR provisions

under the 2013 Act require a minimum of 3 directors for the constitution of the CSR committee, clarification needed as to whether qualifying private companies would be required to appoint a third director to comply with the CSR provisions.

## 2. Definition and Concept of Corporate Social Responsibility

Academics and practitioners have been striving to establish an agreed-upon definition of this concept for decades. In 1960, Keith Davis suggested that social responsibility refers to “businesses' decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest.” There is no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. This is evident in some of the definitions presented below: The EC (European Commission) defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” The World Business Council for Sustainable Development (WBCSD) defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” According to The United Nations Industrial Development Organization (UNIDO), “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.” From the above definitions, it is clear that:

- ◆ The CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses.
- ◆ CSR needs to address the well-being of all stakeholders and not just the company's shareholders.
- ◆ Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits.

## 3. Objectives of the study

- ❖ To explain the concept of Corporate Social Responsibility.
- ❖ To enumerate the origin of Corporate Social Responsibility in India.
- ❖ To examine the growth of Corporate Social Responsibility activities in India.
- ❖ To furnish the focused areas of Corporate Social Responsibility.
- ❖ To know the contribution of companies towards society.
- ❖ To elucidate the social responsibilities of Indian companies.

## 4. Methodology

The information for the study has been collected from secondary sources. Sources of secondary data are books, websites, articles, journals, magazines etc. The study is also based on the examination of corporate social responsibility reports such as Global Reporting Initiative (GRI), Business Responsibility Reports (BRR), as well as publicly disclosed information online and via annual reports.

## 5. Limitations

Like any other research paper, time was a constraint. More literature could have been reviewed and recent data in certain areas would have helped to analyze better, if time supported. Work is fully depended on secondary data only. So it could be another limitation of the study.

## 6. Origin of Corporate Social Responsibility in India

The evolution of corporate social responsibility in India refers to changes over time in the cultural norms of corporations' engagement towards its shareholders and stakeholders. 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. Ever since their inception, many organizations in India have been involved in serving the community through donations and charity events. They made the CSR activities and policies as a part of their regular business operations. The fundamentals of CSR rest on the fact that not only public sector but even corporate sector 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.

Today Businesses are an integral part of the communities. Corporate Sectors play a crucial role in the socio-economic development of a country. There are many instances where corporate sector have played a dominant role in addressing issues like health, education, environment and livelihoods through their CSR policies and interventions across the world. It is very important for the corporate sector to identify, promote and implement successful policies and practices of CSR. As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. According to the Indian Corporate, Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large.

## 7. Growth of Corporate Social Responsibility in India

The constitutional structure of the country was laid with an objective of one man equals one vote, equals one value. However the socio-economic realities of the country still have a long way to go to match this vision of independent India where today there are many first among equals. The country presently is under intense debate of developmental growth versus welfare based development. Our political realities and our economic senses are at cross-roads. How do we strike a balance between the two? The choices we make today are going to influence our generations to come. Every single major policy initiative in this country has been driven with a perspective that an overwhelming concern for the disadvantaged and marginalized, a multidimensional view of poverty and human deprivation, the focus on our fundamental rights and the need to expand opportunities while ensuring its equal distribution are fundamental for achieving strong human development. But disparity, inequality and the growing divide in our societies define our existence today. The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda. Philanthropy and CSR is not a novel concept for Indian companies, however a few organizations are likely to struggle. The role of civil society in fuelling this change is bound to be extremely important. With the new corporate resources in their tool bag much will depend on their ability to innovate and adapt. The handbook is a guidance document which will facilitate development of CSR mandate within organizations and help streamline dialogue within the industry. An addendum will follow with details of the rules once the same have been notified by the Government. The members of the industry are likely to find their output helpful, informative and enabling. Confederation of Indian Industry has been in the forefront in sensitizing industry on CSR and creating necessary enablers for promoting CSR for over a decade. While many companies now practice some form of social responsibility, some are making it a core of their operations.

## 8. Focus Areas of CSR

The following are the identified areas of CSR:

- i. Education including vocational courses.
- ii. Health Care.
- iii. Entrepreneurship (self help & livelihood generation) schemes.
- iv. Infrastructure support roads, bridges, Schools, hospitals in around our operational areas.
- v. Environmental protection, ecological conservation and promotion.
- vi. Protection of heritage sites, UNESCO heritage monuments etc.
- vii. Promotion of artisans, craftsmen, musicians, artists etc. for preservation of heritage, art & culture.
- viii. Women empowerment, girl child development and gender sensitive projects.

- ix. Water management including ground water recharge.
- x. Initiatives for physically and mentally challenged persons.
- xi. Sponsorship of seminars, conferences, workshops etc. for the development of skills.
- xii. Promoting sports/sports persons; supporting agencies promoting sports/ sports persons.

## 9. Social Responsibilities of Indian companies

CSR is becoming more mainstream as forward-thinking companies embed sustainability into the core of their business operations to create shared value for business and society. More practically, [CSR] often represents the policies, practices and initiatives, a company commits to in order to govern themselves with honesty and transparency and have a positive impact on social and environmental wellbeing. The next generation of employees is seeking out employers that are focused on the three aspects viz. people, planet and revenue. Coming out of the recession, corporate revenue has been getting stronger. Companies are encouraged to put that increased profit into programs that give back. The development of CSR should be led by enterprises themselves. But public authorities should play a supporting role through a smart mix of voluntary policy measures and, where necessary, complimentary regulations, for example to promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability. Enterprises must be given the flexibility to innovate and to develop an approach to CSR that is appropriate to their circumstances. In many cases, harm to the environment and harm to vulnerable communities go hand-in-hand. In light of this often dark legacy, some areas of corporate culture have begun to embrace a philosophy that balances the pursuit of profit with a commitment to ethical conduct. The same money and influence that enable large companies to inflict damage on people and the environment allows them to effect positive change. At its simplest, a corporation can give money to charity. Companies can also use their influence to pressure governments and other companies to treat people and resources more ethically.

Enactment of companies Act, 2013 is a milestone as it aims to improve the practices of corporate governance in India. Under the Companies Act, 2013, any company having a net worth of Rs.500 crore or more or a turnover of Rs.1, 000 crore or more or a net profit of Rs.5 crore or more has to spend at least 2% of last 3 years average net profits on CSR activities as specified in Schedule VII of the Act and as amended from time to time. Laws and regulations must be followed in all jurisdictions in which the company operates, but management should not go beyond that, as that could hurt its bottom line and violate its duties to the owners. Companies should enable the creation and distribution of wealth for the betterment of its stakeholders and company's corporate social responsibility is also expected to cover even its routine business operations and activities. The thrust of CSR is clearly on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and upliftment of the marginalized and under-privileged sections of the society. Companies must accept the requirement of reporting and disclosure of their CSR activities and academic interface is also essential for successful socially responsible businesses.

## 10. Conclusion

The term corporate social responsibility has earned prominence from all avenues. CSR refers to a company's responsibility for its impact on society. This includes social, environmental and economic aspects. The companies must realize that government cannot uplift the society alone. They have to contribute something and help the government and take advantage from the government in several issues. It is the benefit to company, government and the society as well. Due to this the companies can increase their brand image in the society and think for their future steps. The competitive risks also reduced for those companies which implement the CSR activities. Ratan Tata has been the role model on this path in India. It is not a surprise. Tata in great esteem as an icon. The first name that comes to any Indian on the subject of CSR is that of the Tata Group. He told that "We do not do it for propaganda. We do not do it for publicity. We do it for the satisfaction of having really achieved something worthwhile." So the companies do not forget to give something to the society which gave the opportunity for their growth.

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