

CORPORATE SOCIAL RESPONSIBILITY: A SUSTAINANCE NEED FOR BUSINESS FIRMS

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Abstract: Corporate Social Responsibility (CSR) has become an important indicator of an organization's capability, brand image, trustworthiness and credibility not only for the customer but also for the society at large. It talks about what companies do with their profits and also gives an insight into how they earn it. This term has gained relevance not only for MNCs but also for MSMEs in the recent years. This research article attempts to gain insights into CSR key indicators and its dimensions. Data has been collected from number of articles, periodicals, journals and websites. Thorough literature review was conducted in this research article and at the end CSR challenges, its implementation and some recommendations have been suggested so that the future gaps if any can be plugged in.

Keywords: - Corporate Social Responsibility, profits, importance, data, social aspect, business aspect

INTRODUCTION

The history of Corporate Social Responsibility dates back to ancient India during which the kings, landlords, businessmen advocated the concept of giving back to the society. Every individual believed in the concept of contributing meaningfully towards the society not only during normal times but also during hardships. The wealthy merchants contributed gold and cash to pay back to the society. The concept of CSR is not new to modern India but is quite old to times immortal. The main motive of the business houses nowadays is not only to make profits but also contribute meaningfully towards the social cause. The main reason to do so is develop long term longevity of business firms in context of brand value, loyalty, trustworthiness towards their stakeholders that include customers, vendors, suppliers, government, society, communities and the environment. These days entrepreneurs are becoming well versed with the concepts of CSR.

LITERATURE REVIEW

P., F. and K.B., N. (2021), "Determinants of CSR disclosure: evidence from India" have found that age of firm and financial fit have a positive CSR impact. Moreover a foreign ownership shows a positive influence and ownership of promoters shows a negative impact. No association is found between both ownership variables and governance disclosure score. Further analysis also finds that there is a difference in this relationship during crisis period.

Gupta Omprakash and Gupta Kovid (2019) in their study "CSR IN INDIA: THE COMPANIES ACT AND ITS IMPLICATIONS" stated that large companies find easier to meet CSR goals. It is proven that such companies with big profits can bring in social change. The Companies Act of 2013 concerning CSR has a significant implication on the Indian socio-economic development. Big companies need to contribute 2% of their profits to CSR activities, this has gained prominence and awareness level has also increased.

Aggarwal, P. and Singh, A.K. (2019), in their work "CSR and sustainability reporting practices in India: an in-depth content analysis of top-listed companies" have comprehensively analyzed the corporate social responsibility (CSR) and sustainability reporting (SR) practices of Indian companies in terms of disclosure quantity and quality, and to investigate the differences in SR practices by SR dimension, industry, ownership structure, firm size and profitability.

Satapathy ,Jayadev and Paltasingh ,Tattwamasi (2019) in their article " CSR in India: a journey from compassion to commitment" have found that CSR has undergone a drastic change but some of the traditional features are still prevalent. The term corporate social responsibility (CSR) might have originated from Western discourses but prior to it the idea of philanthropy in India has evolved from its own ethos and cultural values.

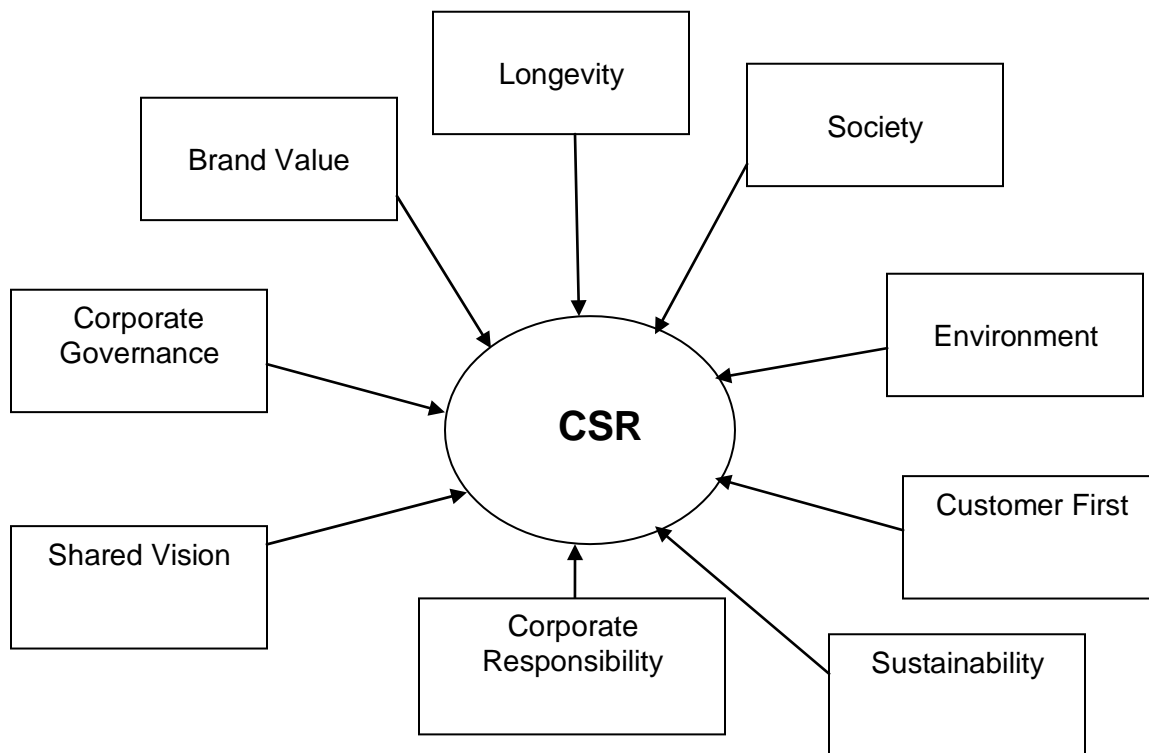
Planken et al (2010) investigated CSR platforms and the communication surrounding those platforms in India and established that the CSR platforms are typically used, together with stakeholder attitudes to both the form and content of those platforms. The authors presented the fact that the selected Indian corporations pursued a primarily philanthropic platform with a focus on community development projects, as predicted by previous studies. It also indicated, however, that Indian consumers may not value philanthropic CSR as highly as other CSR initiatives.

METHODOLOGY

This study is Descriptive in nature and the data collected is from secondary sources. A number of Journals, articles, websites, periodicals have been referred to for preparing this paper in detail. The main purpose of this study is to gain an insight into the CSR initiatives of various companies be it MNCs , Medium and Small scale industries or even Entrepreneurs because organizations are now focusing on long term brand loyalty ,commitment ,customer retention and maintaining an ethical

code of conduct in the business world and the society. This paper outlines the details about CSR initiatives, types of CSR activities, profit making by firms and what exactly the companies do with their profits. Then this work also addresses the challenges and issues spanning the organizations and the inability and causes for lack of CSR initiatives and the possible solutions for these corporate houses so that they do not default on this.

Fig. 1.1 Framework of Corporate Social Responsibility



As can be seen from the above figure that CSR frame work involves holistic activities like Shared vision, Corporate governance, brand value, corporate social responsibility, customer first, environment, society, brand value and longevity.

EVOLUTION OF CSR IN INDIA

The Religious View of CSR

India is one country which has a diverse culture and is home to many religions. CSR existed in India much before the invasion of Britishers or any other strong force in India.

Vedas – There are four Vedas. Rig-Veda, Yajur-Veda, Sama-Veda, and Atharva -Veda. The main component of these Vedas is to see how the universe works .An attempt to gain insight into self and the world and its union.

Upanishads – Upanishads is the basis of an individual, laying a path to connect individual with the almighty supreme power, the God, and rise above all the materialistic pleasures of the world.

Bhagavad Gita – Krishna Gathas, the rhymes and preaching's are the fundamental pillars of dialogue between Lord Krishna and the warrior Arjuna . The Karma yoga, Bhakti yoga and the notion of three Gunas (Sattwa, Rajas, Tamas) have deep implications in context of ethical leadership, management and decision making the area of concern where the concepts of CSR are to be preached in totality .

Ramayana – It basically depicts various relationships like Ideal Father ,Ideal King ,Ideal Wife ,Idea Brother ,Ideal Husband and Ideal Servant and how lust and creed can bring down a mans'

Buddhism – Lord Gautam Buddha gave the world with four fundamental noble truths. They are

(i) Suffering exists; (ii) There is a cause of the suffering; (iii) Suffering can be eradicated; (iv) Means of eradication of suffering. He said that everything here is non-permanent and everything on earth has an – “anatta”.

Islam had a law called **Zakat**, which says that every person must contribute a portion of the earnings to the needy people.

Religion has played a very strong force in encouraging people to conduct work and activities for the benefit of the society been a very influential factor for encouraging people for conducting activities that are helpful for society.

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY: HISTORICALVIEW

The history of CSR in India runs parallel to the historical development of India. CSR has evolved in phases like community engagement, socially responsible production, and socially responsible employee relations. Therefore, the history of Corporate Social responsibility in India can be broadly divided into four phases:

Phase One – The first phase of CSR was driven by charity and noble deeds of philanthropists. It was influenced by religion, culture, family traditions, culture and industrialization. Till 1850, the wealthy businessmen worked and contributed towards the society by either setting up temples or religious institutions. In times of emergencies and famines they opened their own granaries to

support the needy and hungry. The approach towards CSR changed with the arrival of colonial rule since 1850. In the 1900s, the industrialist families like Birlas, Modis, Godrej, and Singhania promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. It may also be interesting to note that their efforts for social benefit were also driven by political motives.

Phase Two – The second phase was the period of independence struggle when the industrialists were forced to show their dedication towards the benefit of society. Mahatma Gandhi told the powerful industrialists to share their wealth for the benefit of the weaker sections of the society of the society. He gave the concept of trusteeship. This concept of trusteeship helped in the socio- economic growth of India. Gandhi regarded the Indian companies and industries as “Temples of **Modern India**”. He influenced the industrialists and business houses to build trust for research, colleges and training institutes. These trusts also worked to enhance social reforms like Women empowerment, education and rural development.

Phase Three – In the third phase from 1960-1980, CSR was influenced by the emergence of Public sector undertakings to ensure the proper distribution of wealth and boost the manufacturing sector. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This led to the enactment of legislation regarding corporate governance, labor, and environmental issues. Still, the PSUs were not very successful. Therefore there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth. In 1965, the academicians, politicians, and businessmen set up a national workshop on CSR, where great stress was laid on social accountability and transparency.

Phase Four – In the fourth phase from 1980 onwards, Indian companies integrated CSR into a sustainable long term business strategy. With 1991 reforms and globalization, economic liberalization and partial withdrawal of controls and licensing systems there was a rapid economic growth in the corporate houses and their contribution. This led to a rapid momentum and contribution of CSR towards the growth of the economy. Charity soon became a responsibility

CURRENT STATUS OF CSR IN INDIA

CSR activities undertaken by the companies were not very clear in terms of guidelines about measuring yardstick, investment parameters, areas to be covered for CSR activities, etc. After LPG in 1991 India became clearer about the things with more private players joining in. All

Central Public Sector Enterprises (CPSE) were following the CSR guidelines issued by the Director of the Ministry of Heavy Industries and Public Enterprises since 2010. However the Companies Act, 2013 brought an end to the long wait by inserting Sec. 135 under the Companies Act 2013. The provisions under the Companies Act 2013 are as follows.

Every company having net worth of rupees Five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

The Board of every company referred to in subsection (1), shall ensure that the company spends, in every financial year, at least two percent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities: Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of subsection (3) of section 134, specify the reasons for not spending the amount. Explanation – For the purposes of this section – “average net profit” shall be calculated in accordance with the provisions of section 198.

Corporate Social Responsibility (CSR): Under the Act, if companies that have to provide for CSR, do not fully spend the funds, they must disclose the reasons for non-spending in their annual report. .

This would mean that CSR, for now, would only be voluntary for corporate India and not spending the 2 percent on CSR would not be treated as a criminal offense, attracting jail term for company officials.

However, this position will only hold true till the time the government takes a call on the recommendations of the high-level panel on CSR headed by MCA Secretary Injeti Srinivas, it is learned. It may be recalled that the Panel report was submitted to Finance Minister Nirmala Sitharaman after Parliament had passed the Companies (Amendment) Bill 2019. In the amendment of 2019, it has been converted as a mandatory provision from an obligatory provision. The amendment has made non-usage of the CSR fund a criminally punishable offense hence it is no longer an option of the companies but it is an obligation on the companies.

CSR STANDARDS

Company guidelines for adopting CSR exists in the form of standards like ISO 26000, Social Accountability standard SA 8000 and Accountability 1000.

1. ISO 26000 is a standard that was established in 2010 and currently the most widely used norm. It refers to almost all organizations independently from their size, location and national economy. It has a broad span over and above CSR. In this norm organizations are described as social responsible and their activities may have influence on competitive advantage, reputation, investor's opinion, employee acquisition ability and their morale , brand image etc..ISO 26000 is recommended by European Commission for European enterprises in social responsibility implementation. Main assumptions include sustainability development, society healthcare, and stakeholder's expectations and are consistent with local law and international norms
2. Social Accountability 8000. This standard describes requirements of social responsibility necessary to meet and being verified in independent and external evaluation system. Main reference indicators are for employee and human rights, but also human factor management. Standards formulate eight preliminary conditions, which are required to allow company entering to the last condition. Final phase of standard procedure is strategy forming based on social responsibility. Standard usage means company declaration to fulfil basic indicators, such as non-adult employing, work forcing, overtime working, safety working rules discrimination, disciplinary punishment and wages. Indicators above concerns basic aspects of human rights and constitute fundamentals of social responsibility implementation.
3. Last standard is international norm AccountAbility1000. The main function is adding and enhancing communication standards, relationship building and engage the stakeholders' to increase value of the company.

SUSTAINABILITY

Sustainability is a societal goal which has three dimensions namely the environmental, economic and social dimension to it . The same can be used to take global, national and decisions at the consumer level. There is a term known as Sustainable Development. Sustainability primarily is a long term goal whereas sustainable development is the means of achieving Sustainability. For

many people it simply refers to environmental sustainability. Public is worried about the human impact on environment. The most dominant environmental issues since about the year 2000 have been climate change loss of biodiversity and environmental pollution and land degradation (such as deforestation and general degradation of ecosystems. In most CSR frameworks, high priority is given to action on climate change, preservation of the environment and its impact on human race. This is the leading issue for NGOs in most industrialized economies. Not so in leading developing countries. Consider this summary of leading sustainability concerns from India's National Environmental Report: —Environmental degradation is a major causal factor in enhancing and perpetuating poverty, particularly among the rural poor when such degradation impacts soil fertility, quantity and quality of water, air quality, forests, wildlife and fisheries.

BENEFITS OF IMPLEMENTING CSR APPROACH

Irrespective of the type and size of organizations the contribution of CSR approach is important towards Society, People, Environment and various Stakeholders. The contribution towards CSR should not be a burden and should be treated as burden and must be taken in a positive stride.

Some of the positive of CSR initiatives are as follows:-

Company benefits

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.
- Increased business leads
- Increased staff morale and skills development
- Innovation in processes, products and services
- Managing the risks a company faces

Benefits to the community and the general public

- Charitable contributions;
- Improved relationships with the local community, partners and clients
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

Environmental benefits

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and
- Costing, environmental management standards and eco-labelling.

CHALLENGES OF CSR IMPLEMENTATION

- Lack of vision: - A long term CSR vision is a must to be adopted by the corporate houses.
- Scale of change: Firms should have innovative approaches of change .
- Selective hearing: Most organizations do not like criticism, and tend to listen to some stakeholders more than others. It is necessary to engage in what some academics have described as —deep listening.
- Uneven Approaches: - Some companies have good and sound CSR practices in one region but struggle in other regions.
- Non Participative Management:-Involvement of employees is a must in decision making in general and CSR decision making in particular.

CONCLUSION

CSR is becoming a leading priority of top management and of entrepreneurs in the present day world . Companies must integrate CSR in their Business Strategy to make it an ongoing process and a habit. Over the last few years many companies worldwide have used CSR to become more sustainable and market themselves as sustainable solution providers in the minds of customers and their stakeholders. There are no specific qualifications required for implementation of CSR but a dedicated and a focused approach is the need of the hour. Business, Government and civil society must work together to implement CSR together.

Because the field is emerging and a new approach transferable skills and knowledge from other fields and areas like management, ethics, Technology, Human Manpower management etc. are more valued. The boundary between Corporate

and Communities is shrinking and that is the need of the hour. CSR programs are not restricted in approach and are rather having a broad and a diverse base ranging from Environment Protection, Education, Sustainability, and Healthcare Services to the needy, Food and Shelter facilities in the times of Emergencies like Floods, Pandemics, and War etc.

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