Vidhyayana - ISSN 2454-8596
An International Multidisciplinary Peer-Reviewed E-Journal
www.vidhyayanaejournal.org
Indexed in: Crossref, ROAD & Google Scholar

72

Corporate Social Responsibility

Khushi Nahar

Research Scholar, CT University, Ludhiana

Email: Khushi17929@ctuniversity.in

Dr. Divya Khurana

Research Scholar, CT University, Ludhiana

Email: divya17576@ctuniversity.in

Abstract

Corporate social responsibility (CSR) is the business practice of joining environmental and social policies with a business econaomic goals and operations. It is based on the idea that businesses can reduce their adverse social and environmental impact on the world.Corporate social responsibility (CSR) involves actions taken when a company seeks to improve its environmental and societal impact.CSR also includes companies adopting fair and ethical business practices.Research suggests that a commitment to CSR can positively affect a company’s finances and employee morale.CSR is similar to ESG, a process by which investors make decisions based on CSR programs and a company's environmental impact.

Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions. It is closely linked to sustainability creating economic, social, and environmental value which stands for Environmental, Social, and Governance. All three focus on non-financial factors that companies, large and small, should consider when making business decisions.

Keywords: *- Corporate social responsibility, Governance, Sustainability.*

Vidhyayana - ISSN 2454-8596
An International Multidisciplinary Peer-Reviewed E-Journal
www.vidhyayanaejournal.org
Indexed in: Crossref, ROAD & Google Scholar

Introduction

"There is a difference between a good company and great company. A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place". In the 21st century corporate social responsibility is a ubiquitous term in the world as of now it's not only about earning more profit and sustain in the global market, but it's all about how to compete, with sustainable growth through CSR activities. It's no longer enough for businesses to simply buy and sell their products and services without considering the world in which they operate. Now it has become inevitable to achieve a sustainable goal to survive in the long run and to serve the society at large. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. So it is the responsibility of the companies to give something in return to society to contribute to the overall development of the economy. Corporate sustainability is based on three pillars: environmental, social and economic. Environmental and social pillars constitute the core of corporate social responsibility which goes beyond the legal requirements about environmental and social duties. Many nations have directed their policies towards making business the engine of socio-economic development and, in response the private sector has generated unimaginable growth rates, wealth and profits. *While the needs of society were traditionally part of the remit of the state, corporate power challenges and undermines this custodianship. Shifting responsibilities between the state, its citizens and the private sector raise important questions about who is responsible for what and for whom?* Whether motivated benevolence, shared value creation, enlightened self-interest, capturing market share, image building, or a combination of these, the long-term success and sustainability of firms is closely associated with the wellbeing and prosperity of the societies within which they are embedded as the long term success and sustainability of societies is associated with the success of their economic activities.

DEFINITION:

- 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 offspring of business ethics. However, business ethics is concerned particularly with moral values, while CSR focuses more on the social, environmental 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.
- **The Institute of Directors, UK (2002), —**CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and communities in which they operate, as well as the extent they attempt to protect the environment‖,
- **The European Union (2004),** ‘‘A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment, this is done by integrating social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”
- **Christina Keiner (2008)**, ‘‘CSR, as a definitional construct, aims at describing the relationship between business and the larger society surrounding it, and at redefining the role and obligations of private business with that society, if deemed necessary.

Indian Scenario -

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider 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 godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless 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.*" These were 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.] According 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) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period 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 malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to a shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

The Fourth Phase

In the fourth phase (1980 - 2015) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing systems were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social causes. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs. As Western markets are becoming more and more concerned about labour and environmental standards in developing countries, Indian companies which export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Corporate Social Responsibility -History

The concept of CSR has a long and varied history. It is necessary to trace evidence of the business community's concern for society for centuries. A survey of the literature on studies related to Evolution and Understanding of concept, Awareness, Motivation, Perception and Behaviour, 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:

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 parameter. The study showed that the most preferred CSR activities were education, health and environment. Drinking water and sanitation and urban upliftment 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.

Shubhashis Gangopadhyay (2014)

The theoretical literature and empirical studies on CSR have systematically shown that CSR plays a significant role as an important part of a company's competitive strategy. Companies can compete by lowering prices without reducing the quality of the product, or by improving the quality without any significant increases in its price. Firms use their social activities as a signal to win over consumers who stay loyal to them and employees who prefer to work for them. However, such signaling works as a competitive strategy only if participation in such activities is voluntary.

Brammer, Jackson & Matten (2012)

Corporate Social Responsibility and institutional theory: new perspective on private governance‖ in Social economic review depicted that CSR is not only a voluntary action but is beyond that. In this study, CSR has been defined under institutional theory. The institutional theory stated that corporate social activities are not only voluntary activities but are a part of the interface between business and society. Regulation/ governance are necessary for enhancing the corporate performance of businesses through CSR. The theory also suggested the form in which companies should take its social responsibilities; whether historical, political or legal form.

Legal Framework of CSR

The first formal attempt by the Government of India to put the CSR issue on the table was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs (MCA, 2009). Prior to this, the importance of CSR was discussed in the context of corporate governance reforms, such as in the Report of the Task Force on Corporate Excellence by the Ministry of Corporate Affairs (MCA, 2000). It is in the Voluntary Guidelines of 2009 that the core elements of a CSR policy were spelt out that included care for all stakeholders, ethical functioning, respect for workers‘ rights and welfare, respect for human rights, respect for the environment and activities to promote social and inclusive development. The Guidelines specifically drew a distinction between philanthropy and CSR activities, and highlighted the voluntary nature of CSR activities that go beyond any statutory or legal 3 obligations. The Guidelines 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 based on the inputs received from vital stakeholders ‘across the country and laid down nine principles for businesses to function in a responsible manner to promote inclusive economic growth at the national level. As in the case of the 2009 Guidelines, the 2011 Guidelines were voluntary in scope wherein corporates were urged to adopt all the nine principles, and to report their adherence to the guidelines based on an 'apply-or-explain ‘principle. Interestingly, while one of the implementation strategies suggested in the 2009 Guidelines was to earmark ―specific amount related to profits after tax, cost of planned CSR activities, or any 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 top listed 100 companies, as part of Clause 55 of the Listing Agreement, to mandatorily disclose their CSR activities in the Business Responsibility Reports (BR Reports) accompanying the Annual Reports. This, SEBI opined, was in the larger interest of public disclosure and represented a move towards integrating social responsibility with corporate governance. The most ambitious attempt at mandated CSR

Vidhyayana - ISSN 2454-8596
An International Multidisciplinary Peer-Reviewed E-Journal
www.vidhyayanaejournal.org
Indexed in: Crossref, ROAD & Google Scholar

activities for companies came with the enactment of Section 135 of the Companies 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 of such new provisions is Corporate Social Responsibility (CSR). The Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.

***Applicability*:** Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

Conclusion

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that the government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility.Though the concept of corporate governance may sound a novelty in the Indian business context and may be linked to the era of liberalization, it should not be ignored that the ancient Indian texts are the true originators of good business governance. Good corporate governance means governing the corporation in such a way that the interests of the shareholders are protected whilst ensuring that the other stakeholders' requirements are fulfilled as far as possible. India is a fast-growing economy and is booming with national and multinational firms. At the same time, the Indian land also faces social challenges like poverty, population growth, illiteracy just to name a few. Therefore, it is all the more imperative for the Indian companies to be sensitized to CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business.

Vidhyayana - ISSN 2454-8596
An International Multidisciplinary Peer-Reviewed E-Journal
www.vidhyayanaejournal.org
Indexed in: Crossref, ROAD & Google Scholar

References

- Grayson, D. and Hodges, A. (2004) Corporate Social Opportunity! Seven Steps to Make Corporate Social Responsibility Work for your Business
- Williams, Cynthia A.; Ruth V. Aguilera (2008). "Corporate Social Responsibility, Responsibility in a Comparative Perspective".
- Habisch, André; Jan Jonker, Martina Wegner, R. Schmidpeter (eds.) (2005). Corporate Social Responsibility across Europe
- R.H. Gray, D.L. Owen & K.T. Maunders, Corporate Social Reporting: Accounting and accountability (Hemel Hempstead: Prentice Hall, 1987).
- Purohit, S. (2024). Smart solutions for environmental sustainability and climate changes. Journal of Global Resources, 10(01). https://doi.org/10.46587/JGR.2024.v10i01.016