

---

**A MULTI-DIMENTIONAL PERSPECTIVE OF CORPORATE SOCIAL RESPONSIBILITY**

---

**Dr. A.V.V.S. Subbalakshmi****Dr.C.L.V.Sivakumar****Assistant Professor – Commerce Division****Associate Professor****School of Social Sciences and Languages****School of Mechanical Engineering****VIT University, Vellore - 632 014, Tamil Nadu****VIT University, Vellore-632014, Tamil Nadu.****Abstract**

*India had a rich history of 'philanthropy', but over time along with the changes in the macro-economic environment, the concept of social development gradually changed. In the years following economic liberalization, India witnessed rapid economic growth and thus, a new era of Corporate Social Responsibility (CSR) in India began. Today, CSR has become embedded into corporate activities in the form of synchronizing their business activities with society and environment, thus ensuring good governance practices and corporate ethics. The skewness of private sector CSR activities is a thought provoking idea which seeks more government role in CSR activities. In 2010, Department of Public Enterprise (DPE), Government of India introduced 'mandatory' CSR policies for 249 Central Public Sector Enterprises (CPSEs). The transition from voluntary to mandatory CSR activities is proving difficult for many. As a result, an effective framework is required to ensure the success of 'mandatory' CSR initiatives. Hence, a framework is proposed to the DPE for effective management of CSR activities in 249 CPSEs. This article brings about multi-dimensional view of CSR.*

**Keywords**

Corporate Philanthropy, Corporate Citizenship, Corporate Social Responsibility, Sustainable Development, mandatory CSR.

## **Introduction**

In India the first public articulation of the concept of corporate social responsibility of business was in 1965, at the international conference on Social Responsibilities of Business held in New Delhi at the India International Centre. The Indian government had mooted the idea that all Indian corporate should spend 2% of their profits towards social responsibility programs. This works out to US\$2 bn (about Rs.87 bn) per year. It is not mandated by the government. Even then, it has created awareness among Indian corporate to spend more on social relationships with their customers and other stakeholders.

According to Corporate Social Responsibility Voluntary Guidelines 2009 issued by Ministry of Corporate Affairs, Government of India, "The companies should disseminate information on CSR policy, activities, and progress in a structure manner to all their stakeholders and the public at large through their website, annual reports, and other communication media." Accordingly, many organizations are actively involved in CSR activities to project their corporate brand in the minds of consumers and other stakeholders.

## **Philanthropy to CSR**

Throughout history, business has accepted that in addition to its prime function of creating wealth for itself, it also has a social obligation to give some of the wealth so created for the good of society as a whole. This altruistic giving has been variously described as charity, philanthropy or corporate social responsibility (CSR). In the West, charity mainly referred to almsgiving for relief of poverty, but the Indian term for charity, viz 'daanam', had a broader scope, and included social needs such as care of the environment, education, needs of travelers and of whole communities, in times of famine, floods or fire. In general charity was not expected to or used to remove conditions which caused the distress.

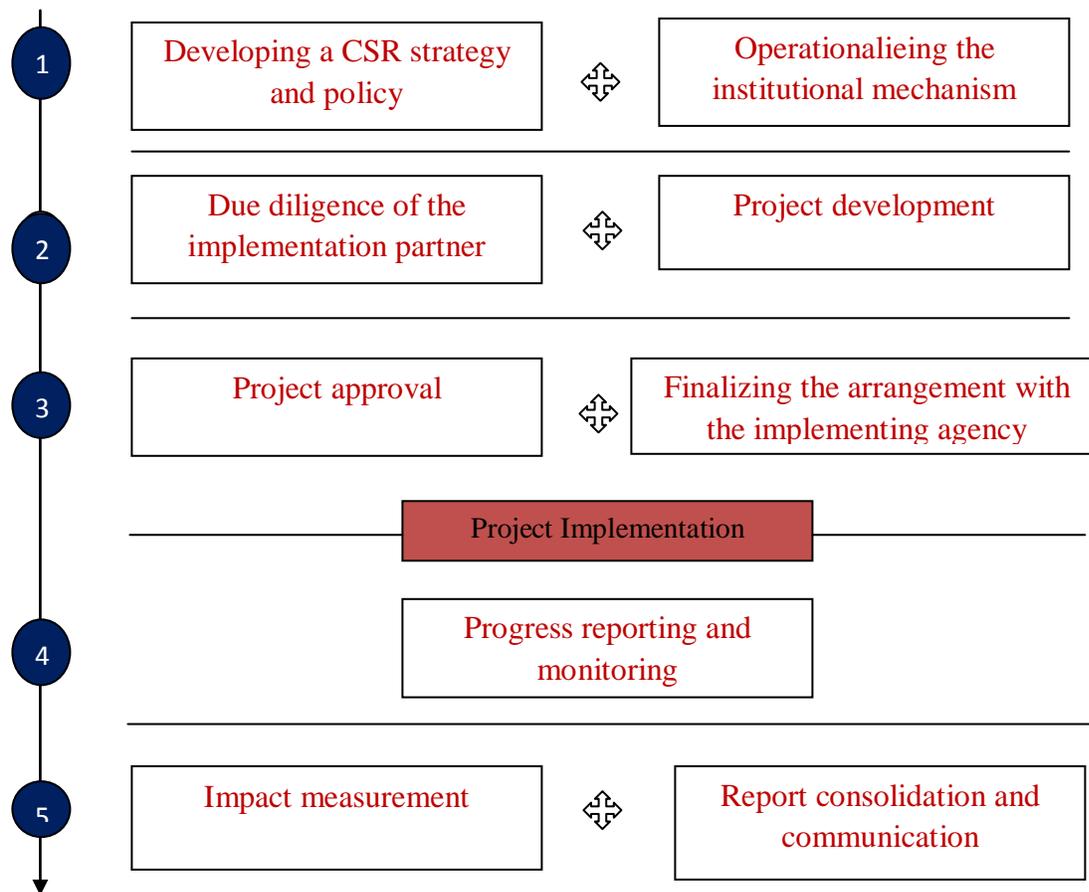
Contemporary examples of corporate charity would be random and ad hoc donations given on request for a particular cause which could be relief for earthquake or war victims, or for a school, or a charity show. Normally these would be one time donations and comparatively small, with no commitment to continue giving. Put simply, giving a poor man fish to appease his hunger would be charity, but teaching him to fish so that he himself can take care of his hunger lifelong would be philanthropy.

CSR is concerned not merely with distributing some of the profits but whether that profit is equitably distributed – among all the stakeholders – disadvantaged communities, society at large, shareholders

and employees. It further means raising the bar about payment of more than fair wages, preventing gender and caste discrimination, and in fact taking positive affirmative action in their favor, being concerned with effluent quality and so on. In short, the process of making profit is believed to be as important as the end use of surplus.

### **Business Ethics and Corporate Social Responsibility**

Many notions such as Business Ethics, Corporate Philanthropy and Corporate Social Responsibility, are sometimes used interchangeably to describe the relation between business and society, although each has a different aim. According to Ferrell, Freadrich, and Ferrell (2011) business ethics are the principles and standards that guide acceptable behavior in business organizations, whereas the extent of acceptability of business behavior is determined by a variety of entities including customers, competitors, government regulators, interest groups, and the public, thus it relates to society's evaluation of an action as right or wrong. Common business problems such as defective products, bribery, and accounting fraud exist due to the lack of or decline in business ethics. Although the judgment on business actions is based on each individual's moral principles and values this ethical perception of business stresses on the fact that there has been a radical change in society's view of businesses. Although the terms corporate social responsibility and business ethics are used interchangeably, they have different meanings; whereas corporate social responsibility (CSR) tries to analyze the extended socio-economic role of business in society. CSR is a broader concept in a sense that it is concerned-from a stakeholder perspective—with the impact of business's activities on society. Thus, CSR is a stakeholder oriented notion that focuses primarily on voluntary commitments of an organization regarding both its internal and external issues, which are determined by the business's understanding and acknowledgement of its moral responsibilities concerning the impact of its activities on society (Maon, Lindgreen, and Swaen, 2010).

**CSR Process****Development of CSR in India**

The development of CSR in India can be divided into four main phases:

**First Phase: CSR motivated by charity and philanthropy**

The first phase of CSR was predominantly determined by culture, religion, family tradition and industrialization. In the pre-industrial period up to the 1850s, merchants committed themselves to society for religious reasons, sharing their wealth, for instance, by building temples. The merchant class in pre-industrial India played an important role in laying the cornerstones of philanthropy in their society. They built and maintained educational and religious establishments, social infrastructures, and donated from their repositories at times of hardship (Sundar, 2000). Under the colonial rule, Western type of industrialization reached India and changed CSR from the 1850s onwards. The pioneers of industrialization in the nineteenth century in India were a few families such as Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhanian, Modi, Naidu, Mahindra and Annamali, who were strongly devoted to philanthropically motivated CSR (Mohan, 2001).

**Second Phase: CSR for India's social development (1914-1960)**

The second phase of Indian CSR (1914-1960) was dominated by the country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship, the aim of which was to consolidate and amplify social development. During the struggle for independence, Indian business actively engaged in the reform process. Not only did companies see the country's economic development as a protest against colonial rule, they also participated in its institutional and social development (India Partnership Forum, 2002, p.11). The corporate sector's involvement was stimulated by the vision of a modern and free India. Gandhi introduced the notion of trusteeship in order to make companies the 'temples of modern India': businesses (especially well-established family businesses) set up trusts for schools and colleges; they also established training and scientific institutes (Mohan, 2001). The heads of the companies largely aligned the activities of their trusts with Gandhi's reform programmes. These programmes included activities that sought, in particular, the abolition of untouchability, women's empowerment and rural development (Arora and Puranik, 2004).

After independence in 1947, the overall socio-political goal focused on building a solid industrial base while nurturing the Indian cultural traditions. This led to a highly centralized economy (Davies, 2002) and saw a rapid growth in capital-intensive manufacturing plants.

**Third Phase: CSR under the paradigm of the "mixed economy" (1960-1980)**

The paradigm of the 'mixed economy', with the emergence of PSUs and ample legislation on labour and environmental standards, affected the third phase of Indian CSR (1960-1980). This phase is also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities. Under the paradigm of the 'mixed economy', the role of the private sector in advancing India receded. The 1960s have been described as an 'era of command and control', because strict legal regulations determined the activities of the private sector (Arora and Puranik, 2004). As a result, corporate governance, labour and environmental issues rose on the political agenda and quickly became the subject of legislation. In the 1970s, India began to adopt industrial pollution control measures, and the first set of environmental regulations began to emerge (Sawhney, 2003). However, the assumption and anticipation that the public sector could tackle developmental challenges effectively materialized only to a limited extent. Consequently, what was expected of the private sector grew, and the need for its involvement in socio-economic development became indispensable.

**The Fourth Phase: CSR at the interface between philanthropic and business approaches (1980 onwards)**

In the fourth phase (1980 until the present), Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the 'mixed economy' and tried to integrate India into the global market. The Indian economy experienced a pronounced boom, which has persisted till today (Arora and Puranik, 2004). This rapid growth did not lead to a reduction in philanthropic donation; on the contrary, 'the increased profitability also increased business willingness as well as ability to give, along with a surge in public and government expectations of businesses' (Arora and Puranik, 2004).

Chambers et al. (2003) reveal that although India leads in providing coverage to their CSR practices in annual reports in Asia, only 2 per cent of Indian companies produce dedicated CSR reports, and they also point to Maitland's (2002) observations that there is high probability of CSR reports to consist of inconsequential information. In a study conducted by Singh and Ahuja (1983) on 40 Indian public sector companies for the years 1975/1976, it was found that only 40 per cent of the companies disclosed about 30 per cent of the total social disclosure items included in their survey. This is the first study in India on CSR that could be found in international journals and is based on CSR practices of the country 40 years ago.

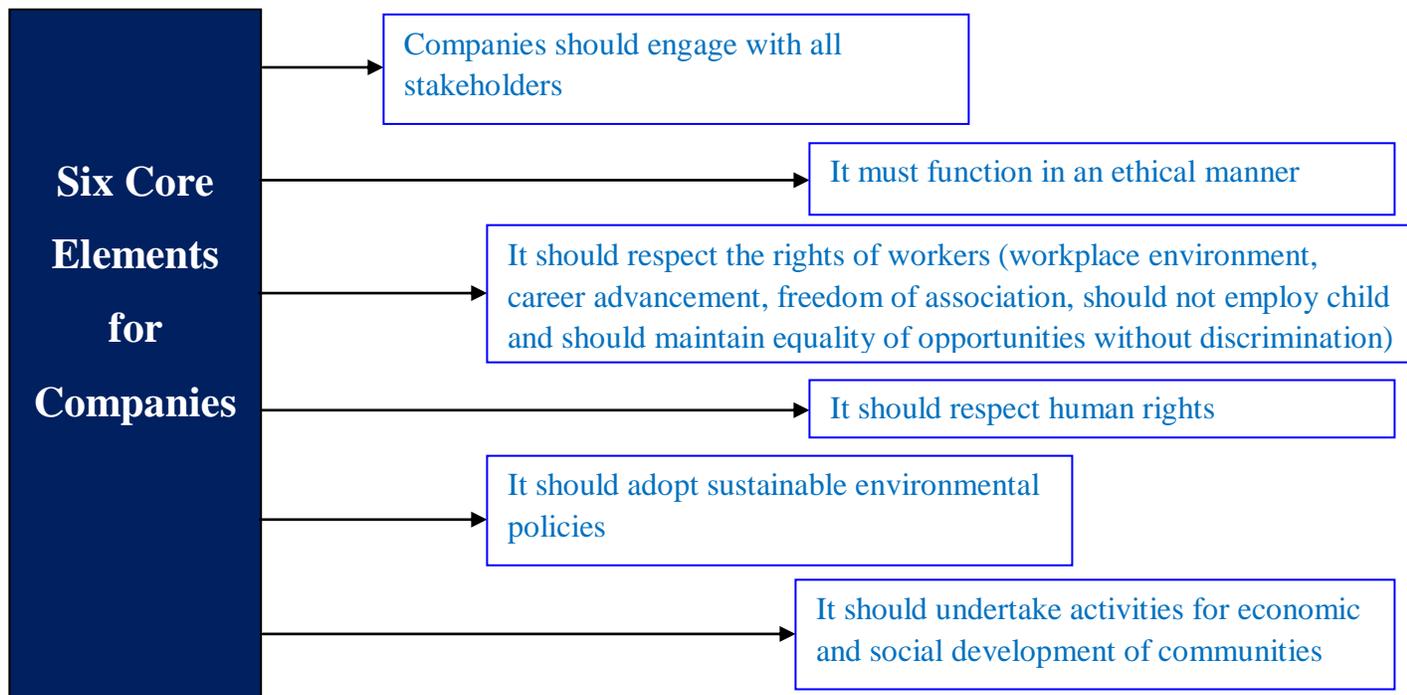
The problem with CSR in India is that nobody is very clear about what exactly it encompasses. Today, CSR, to some companies, means providing lunch to employees. To others, it is about tackling global warming and environmental issues; to some, it is organizing marathons and campaigns and collecting funds to be given to trusts or non-governmental organizations (NGOs). Instead of defining CSR, the Indian government recast it as 'responsible business' in a set of voluntary guidelines for firms; hence there are very limited studies which have attempted to investigate into the aspect of pattern of participation of CSR activities by the private sector companies.

**Six Core Elements for Companies**

The government took initiative to encourage best practices in corporate governance and CSR, for which it issued guidelines at the conclusion of the First India Corporate Week (14-21 December 2009).

What is noteworthy is the fact that the report highlighted that in order to facilitate implementation of the CSR guidelines, 'companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports and other communication media' (First India Corporate Week, 14-21 December 2009).

The guidelines set out 'six core elements' for companies:



### India: Corporate Social Responsibility - Indian Companies Act 2013

India's new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business". One of such new provisions is Corporate Social Responsibility (CSR). 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. By performing the task of CSR activities, the companies are giving something back to the society.

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.

**CSR Committee and Policy:** Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 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 amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

**Definition of the term CSR:** The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

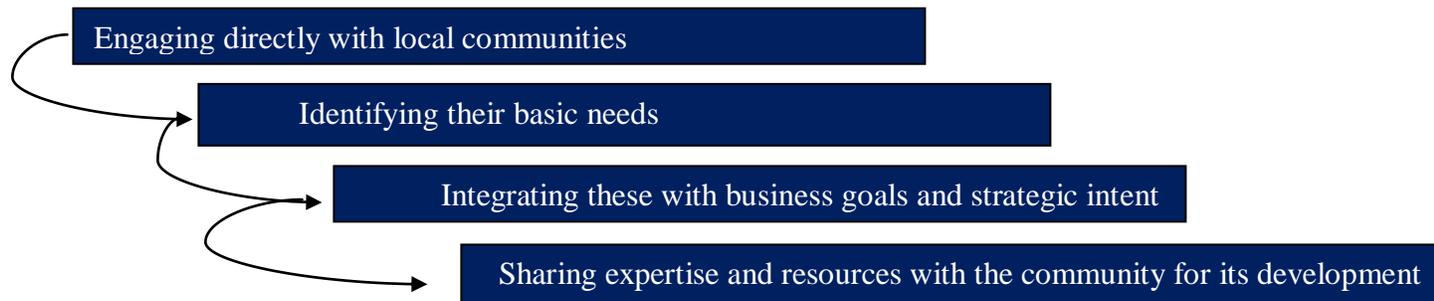
**Activities under CSR:** The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, 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 any other fund set up 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 women and such other matters as may be prescribed.

**Local Area:** Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with 2 or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken,

prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

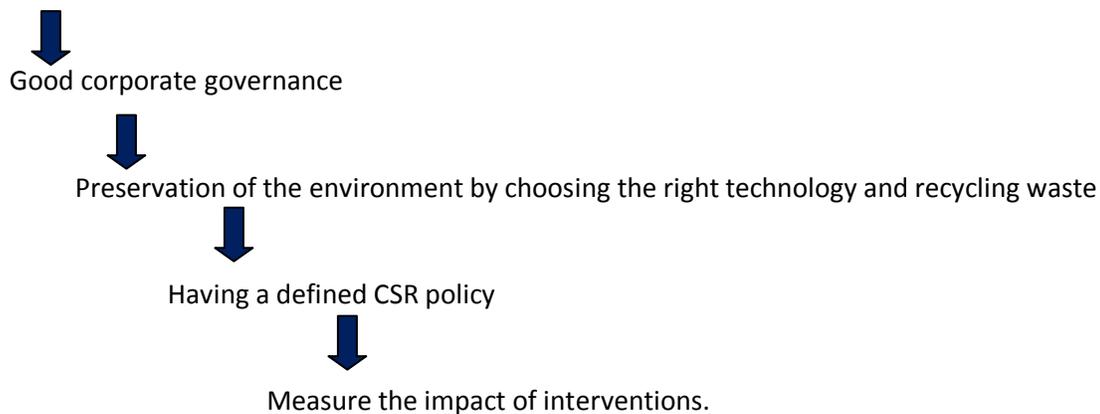
The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

### Practicing CSR



### Necessary components for following CSR

Making a healthy profit



Finally, it means aligning self-interest with community needs so that it becomes a win-win situation for both company and community.

### Overview of Mercer's CSR survey in India, 2014

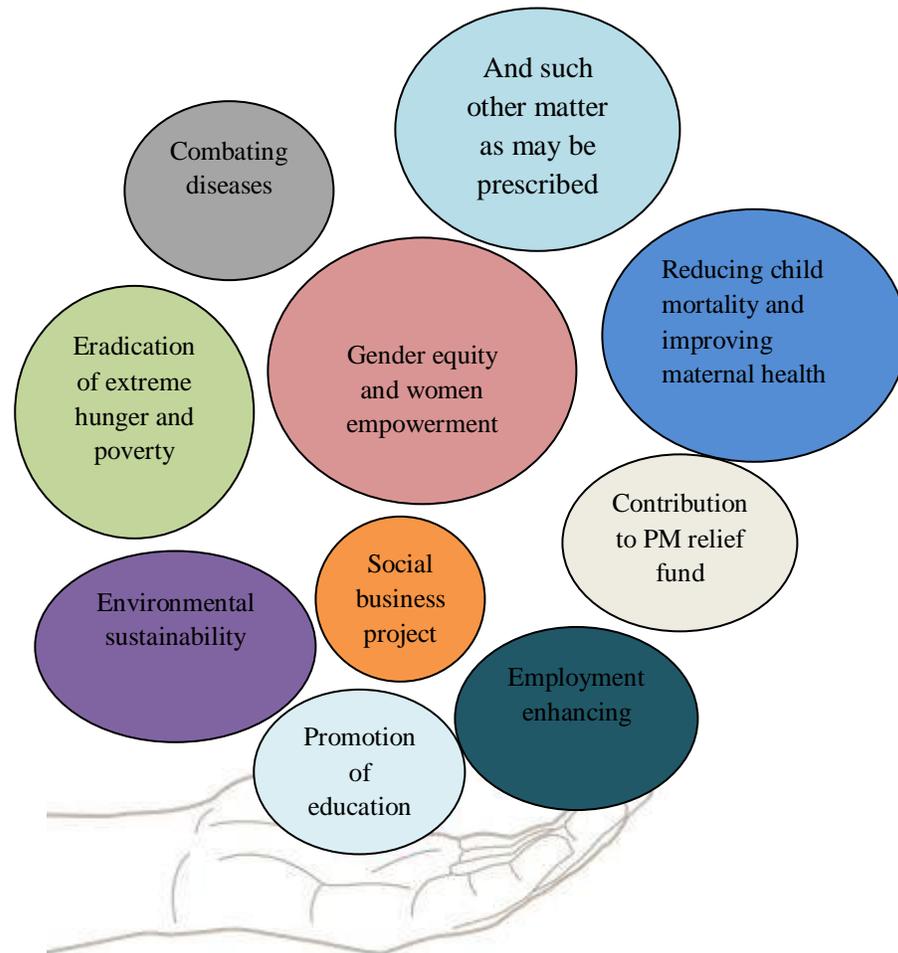
According to Mercer's CSR survey, 81% of companies identified Education as top core area for current CSR activities in India. The survey brought to the fore that 73% of participating companies in India have a CSR policy in place. Of the companies that stated that they are undertaking CSR activities without a

policy or guidelines (17%), all of them plan to develop a formal policy within the next two years. While 10% of respondents indicated that their company does not undertake CSR activities.

Looking at policy maturity, a relatively equal distribution between newer and older policies was evident, with 54% of employers having a CSR/sustainability policy for a period of up to five years and 46% having a policy for five years or more. Among these companies, the most commonly seen policy age was three to four years (40%). This demographic was predominately comprised of listed Indian organizations in the private sector and multinational organizations headquartered outside of India.

The survey respondents identified three core areas around which most of the current CSR activities in the country are based on: education (81%), community-based development (64%) and environmental sustainability with the company (61%). The majority of companies conduct their CSR/ sustainability initiatives by partnering with a local, independent non-profit organization (78%), whereas 17% of companies stated that they work with their company's own non-profit organization. Over a quarter of participation companies indicated that they are integrating social and environmental priorities into their business models to generate shared value.

### Key Working area of CSR activities



### Conclusion:

Notions such as CSR are evidence of the evolution of the relation between business and society, and the interconnectivity between them. It is a manifestation of the growing awareness that both of them rely on each other for survival. This paper highlights the multidimensional concept of corporate social responsibility. It differentiates between CSR and other related concepts such as Business Ethics and Corporate Philanthropy. CSR is a holistic concept that explains the relation between business and society. Viewing CSR as philanthropy is misleading as it entails a separation between daily business activities and corporate giving which is not the aim of CSR. Besides, this view does not reflect the full range of responsibilities and obligations of businesses towards society; it also restrains the power of CSR in producing positive sustainable change. Although CSR is still a debatable issue, the supporting arguments in the CSR debate demonstrate the inevitability of integrating CSR in modern business context. Nonetheless, CSR remains underutilized, as many CSR initiatives fail to serve their purpose due

to lack of integration between business and society. Yet, there is a huge opportunity for countries especially developing ones to benefit from CSR initiatives by shifting the focus of businesses from corporate philanthropy to socially responsible activities that are directly linked to society's needs and demands. Thus, a more rigorous approach on how to integrate societal needs to CSR programs is a must to practically demonstrate how CSR can serve as a tool that assists and leads to development.

## References

1. Sukhpreet Kaur and Bhaskaran R. *"Corporate social responsibility disclosure practices of public and private sector banks in India: A comparative analysis"*. The IUP journal of management research, Vol.XIV, No.2, 2015.
2. Sumona Ghosh. *"Is corporate social responsibility in India still in a confused state? - a study of the participation of the private sector companies of India in corporate social responsibility activities"*. Global Business Review 16(l) 151-181, 2015. Sage publications.
3. Human capital: Vol. 18 No.7, Dec'2014.
4. Pushpa Sundar. *"CSR and philanthropy: Same or different?"* Journal of Management and Entrepreneurship, January – March 2015.
5. Aya Mohamed Safwat. *"Corporate Social Responsibility: Rewriting The Relationship Between Business And Society"*. International Journal of Social Sciences, Vol. IV, No. 1 / 2015
6. Nikhil Atale E.J. Helge. *"Proposed Framework for Government of India to Effectively Monitor Mandatory CSR Initiatives of Public Sector Enterprises in India"*. Journal of Human Values 20(1) 75–83, SAGE Publications.
7. N. Panchanatham, M. Syed Zafar and C. Samudhra Rajakumar (Ed.) *Management and Technology Leads to Social Development*. Annamalai University, 2011. Scitech Publications (India) Pvt. Ltd.
- 8.<http://www.mondaq.com/india/x/366528/Corporate+Governance/Corporate+Social+Responsibility+Indian+Companies+Act+2013>
9. Handbook on Corporate Social Responsibility in India. Confederation of Indian Industry. [www.pwc.in](http://www.pwc.in). 2013.