

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT**Dr. P. CHINNADURAI,****Assistant Professor of Business Administration,****Business Administration Wing,****Directorate of Distance Education, Annamalai University,****Annamalai Nagar – 608 002, Tamil Nadu.****ABSTRACT**

CSR (Corporate Social Responsibility) is a means to sort out these problems to some extent because business is a part of society. Earning more and more profits is a natural phenomenon of every business unit but social responsibility is an obligation to the people living inside and outside the business organizations. Business comes in contact with various groups of society such as owners, employees, customers, government, suppliers etc.

The emergence of big corporate and their ambition for the optimization of individual profits has not only divided the world between the rich and poor but have also led to an imbalance between development and environmental sustainability. Recent studies and surveys have shown that the earth is gradually becoming a dangerous place to live due to unsustainable human induced activities. Given that, the governments of many countries have stood up firmly to ensure that the ongoing developmental practices remain in optimal harmony with environmental sustainability as well as human security.

This paper is an attempt to highlight the importance of Corporate Social Responsibility as a tool to ensure greater participation of business entrepreneurs toward sustainable development, protecting the natural eco-system and enhancing the quality of life while undertaking a developmental activity.

Keywords: CSR, Eco-System, Sustainable Development.

Introduction

The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. As a mode of implementing human rights, labour and environmental standards, Corporate Social Responsibility (CSR) has long been discussed as a possible remedy to the inequalities created and exacerbated by economic liberalization and globalization. It considers that a corporation is not just a self-centred profit-making entity but that the company and its actions are also integral to the economy, society and environment in which they operate (Herrman, 2004).

The more the concepts of CSR are fostered and integrated into the business process, the easier it will be to benefit from alternative thinking and perhaps handle the occasional problems that for certain will occur. The more integrated the business process within the value chain, the more opportunity there will be for organizations to influence the approaches of others on whom they depend. The concept of CSR includes the openness or transparency of companies as well as taking into consideration the will and expectations of their stakeholders. Social responsibility means a doctrine that claims that an entity whether it is government, Private Corporation or public organization has a responsibility to society. CSR is a concept that reduces costs and risks, increases the brand value and reputation, effectiveness and the efficiency of employees, improves transparency, and clarity in the working environment of the business house.

Review of Literature on CSR

In early 1950's & 60's the literature was not heavily represented in CSR discourse. However, this decade marked a significant growth in attempts to formalize, or more accurately, state what CSR means (Carroll, 1999). According to Carroll, "CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point of time."

Some of the most prominent writers during that time were Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. Frederick wrote that 'Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms'. Howard Bowen in 1953 argued that since social institutions shaped economic outcomes it was to be expected that business firms as an economic outcome of societal interests should consider the social impact of business activity. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm's social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991). Social reporting and social audits are examples of how firms can assess their social performance. In 1960's Keith Davies argued that CSR refers to 'the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal

requirements of the firm'. **Frederick (1960)** stated 'Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare'. Thus, the definitions of CSR in 1960's were an attempt to link society and businesses, defining society in broadest terms.

In 1970's there was one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud. The idea and inclusion of stakeholder began to appear. **Harold Johnston (1971)** stated that 'a socially responsible firm is one whose managerial staff balances a multiplicity of interests instead of striving only for larger profits for its stockholders. A responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation. **Carroll (1979)** offered the following definition of CSR. The social responsibility of business encompasses the economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations at a given point in time (**Turner, 2006**). European Commission described CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". World Business Global Business and Management Research: An International Journal Council for Sustainable Development defined CSR as "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."

In 80s & 90s there were fewer definitions but more efforts to measure and conduct research for the purpose of operationalizing CSR. New concepts which were closely related to CSR were introduced; stakeholder theory, business ethics, corporate governance, responsiveness, corporate social performance, and corporate citizenship. These concepts are closely related but not identical. **Lee (1997)** stated CSR refers to a company's commitment to operate in an economically and environmentally sustainable manner, while acknowledging the interests of a variety of stakeholders and maximizing economic, social and environmental value. It is a holistic concept that can mean different things to different groups and stakeholders. **Gray, Owen, & Maunders** in 1987 defined CSR as "the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large". Similarly, **Perks (1993)** defined corporate social reporting as "the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders".

A term 'corporate social innovation' was first introduced by **Rosabeth Moss Canter** in 1999 who argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets. Large corporations began to go public about corporate social responsibilities and publish some of their efforts, but they also made public that 'any approach to corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment'. Another trend appearing in literature is the increasing dialogue between stakeholders. Companies are augmenting their discussions with labor unions,

environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which is the establishment of codes of conduct (**Kapstein, 2001**), monitoring and reporting. **Kingston and Wagner (2004)** suggest that leadership on sustainability and CSR are important to set priorities and to ensure that commitments are achieved.

The CSR movement was an early response to an article published in 1970 by **Friedman** stating that 'social responsibility of business is to increase its profits'. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years. To this day academics do not have a consensus on its definition (**Wood, 1991; Carroll, 1991**). Bowen's definition of social responsibility of businessmen was 'it refers to the obligations of businessmen to pursue those policies to make those decisions, or to follow those lines of relations which are desirable in terms of the objectives and values of our society (**Carroll, 1999**). Due to Bowen's concern with social responsibility and his leadership role in the topic, Bowen should be seen as father of CSR.

The main drivers for CSR have been the shrinking role of government, demands for greater disclosure, increased customer interest, growing investor pressure, competitive labor markets, and supplier relations. The companies enjoy several benefits like improved financial performance, lower operating costs, enhanced brand image and reputation, increased sales and customer loyalty, product safety, material recyclability, and greater use of renewable resources etc.

CSR in India

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief.

Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment (**Shinde, 2005**). It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal

activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of "Social Responsibility." **(Gupta, 2007).**

The term corporate social performance was first coined by Sethi **(1975)**, expanded by Carroll **(1979)**, and then refined by Wartick and Cochran **(1985)**. In Sethi's three-level model, the concept of corporate social performance was discussed, and distinctions made between various corporate behaviors. Sethi's three tiers were 'social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) **(Cochran, 2007).**

The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations **(Mohan, 2001).**

There was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company programs, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Working Document of EU India CSR, 2001). In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status **(Bajpai, 2001).**

According to Infosys founder, Narayan Murthy, 'social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment'. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders **(Bajpai, 2001)**. Over the time four different models have emerged all of which can be found in India regarding corporate responsibility.

Need and Scope of CSR

While recognizing that profits are necessary for any business entity to exist; all groups in society should strive to add value and make life better. Businesses rely on the society within which they operate and could not exist or prosper in isolation. They need the infrastructure that society provides, its source of employees, not to mention its consumer base. CSR is recognition of that interdependence and a means of delivering on that obligation, to the mutual benefit of businesses and the societies within which they are based.

CSR commitments and activities typically address aspects of a firm's behaviour (including its policies and practices) with respect to such key elements as; health and safety, environmental protection, human rights, human resource management practices, corporate governance, community development, and consumer protection, labour protection, supplier relations, business ethics, and stakeholder rights.

The Indian Corporate needs to shift their focus beyond **health** and **education** schemes. Area for focus should include:

Electricity Generation: India has a severe power shortage. There are several companies which already focus on CSR that can do a lot to change the situation by encouraging a model of decentralization and increased use of renewable resources.

Environmental Pollution: Rivers, lakes and cities are polluted due to lack of regulation as well as high population. Encroachment on agricultural land and forest land is a common occurrence. This not only hinders biodiversity protection but also impacts human health. Education is not the only means by which awareness can spread. Companies should invest in holistic community building exercises with a strategic CSR focus that puts environmental initiatives in the fore-front.

Biodiversity Protection: This of course falls in a ‘beyond business’ category of CSR but it is nevertheless important. Business operations that have minimal impact on biodiversity should be the new mantra for Indian business.

Employee Engagement: This is the most important thing that Indian business misses out on. CSR initiatives for the most part do not have a trickle down effect to the people that really matter. Employees are brand ambassadors and change creators. Businesses must start galvanizing on this powerhouse of resource to better implement their CSR strategy.

CSR and Sustainable Development

In the hue and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused toward profit maximization which led social backwash. To overcome this fashion CSR plays an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it.

The stakeholders directly impacted by its operations and activities can rightfully stake a claim for attention before others. Such stakeholders are generally located in the periphery of commercial operations of a company. The corporate social responsibility of a company towards these stakeholders extends beyond its legal obligation to compensate for, and ameliorate the impact of its commercial activities. For this reason, corporates must accord priority to these stakeholders and undertake CSR and Sustainability projects in the periphery of its commercial operations on priority.

Although corporates may select their CSR and Sustainability projects from a vast range of available options, priority should be accorded to activities pertaining to (i) inclusive growth of society, with special attention to the development of weaker sections of society and the backward districts of the country, and (ii) environment sustainability. CSR and Sustainability initiatives should focus on capacity building, skill development and infrastructural development for the benefit of the marginalised and under privileged sections of the local communities and also in the backward regions so that avenues are created for their employment and income generation, and they also experience empowerment and inclusion in the economic mainstream.

Conclusion

Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity and relationship with its different stakeholders so that CSR can be best implemented towards its goals – sustained environmental, social and economic growth.

There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice.

Although, there are sufficient laws which focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach. Though, there has been limited success in achieving the goals of CSR. Given the uncertain economic scenario coupled with widespread poverty and unemployment, it becomes very difficult on the part of government to take stringent action against national and multinational business firms to ensure greater compliance to CSR laws and legislations.

It is equally true that the relationships between various stakeholders in business are becoming more transparent, interdependent, responsible and harmonious. Country's public sector enterprises have one of the best CSR ranking in the world and some of the private sector firms have equally earned praise for their efforts in the domain of education, health and welfare oriented schemes. Big welfare schemes like national Food security Act need active financial supports from corporate to make such schemes a success.

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