

# Corporate Social Responsibility In The Indian Context

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## INTRODUCTION

Till the dissolution of the Soviet Union, formally in 1989, in academic and popular discussions, the world used to be divided into three parts the First; Second; and Third worlds. From an economic structure point of view, the First world economies consisted of the market economies, with freedom for entrepreneurs domestically, and relatively free trade in exports and imports. The US, EU and Japan were the main constituents. The Second world was made up of centrally planned and administered economies, with state ownership of enterprises, and limited exports and imports; mainly through bilateral relations. Russia, the East European and Central Asian countries, were the main parts. The Third world consisted of all other countries, mostly in Asia, Africa and Latin America.

India began with a mixed economy consisting of a state-owned public sector, and a private sector subject to industrial licensing and many administrative controls on imports; exports; foreign exchange etc. Between 1950 and 1990, the economy grew at only 3.5% per annum. In 1991, India was forced to reform her economy. The reform has had three main strands LGP - Liberalisation; Globalization; and Privatization. The first reform has helped the rapid expansion of the existing and new private enterprises. The second has led to a sustained growth of exports, both in services like IT, and in manufactures like drugs and engineering goods. The third reform of privatization has faced more social and political resistance. However, it has benefitted the consumer and job seeker in telecom; banking; airlines; electricity etc. The resistance has been more to the selling of the government stake in state owned enterprises, SoE. All the above reforms have taken the Indian economy to a high growth path of 8%. In the peak year of 2007-08, it exceeded 9%. But questions have arisen on the quality and contents of the growth in India. Inflation rose above 12%. It hurts the poor more. Disparities of income and wealth have widened. The better performing companies have raised their market share and profits. Under liberalization, corporate survival is not guaranteed, resulting in some closures and job losses. In the competition for talent, companies have raised the total managerial compensation, consisting of salaries, allowances, bonuses, benefits, stock options etc. The outcome of the 2004 parliamentary elections was partly influenced by the argument that the benefits of high growth had not reached the common man. Even within the ruling UPA Coalition, the debate favored growth not for its own sake. Industry Chambers and Professional Associations have been holding Conferences on Inclusive Growth; its challenges; and action needs.

Corporate Social Responsibility (CSR) is the continuing commitment by businesses to behave ethically, contribute to economic development, improving quality of life of workforce, their family, local community and society, build a meaningful relationship between the corporate sector and the rest of the society. Business has to adopt practices that ensure ethical, legal, commercial and public expectations. It must be the integrated part of day to day business engaging all stakeholders, strategies to support individual managers to make socially responsible decisions conforming to ethical behaviour and law.

☛ Companies are obliged to comply with law, give the community a variety of financial and non-financial ways and take into account the environment and social context in which the business operates.

☛ Shrinking of government resources, distrust of regulations, demand for greater disclosures, increased customer's interests, investors pressure, competitive labour markets etc. are some of the driving forces of CSR.

☛ The concept of CSR involves voluntarily adopted behaviour going beyond legal obligations, practices intrinsically connected to sustainable development and culture incorporated into core business strategies.

Accountability, transparency, conduct in conformity with laws, business ethics, good workplaces and labour relations practices, affirmative actions / good practices, customers loyalty and satisfaction, environmental benefits and company involvement with community are some of the components of CSR.

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Triple Bottom line reporting on resources and market reputation, improved ability to understand business performance and risks, attract quality employees, greater profile for raising capital are few benefits of CSR.

The Major Drivers Of Csr Are Listed Below:

- ✿ New concerns and expectations from citizens, consumers, public authorities and investors in the context of globalization and large scale industrial change;
- ✿ Social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and investors;
- ✿ Increased concern about the damage caused by economic activity to the environment; transparency of business activities by the media and modern information and communication technologies.

## THE ORIGINS OF CSR

CSR as an issue has been around since commerce began:

The history of CSR is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century. There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business. And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older town centers today.

## RELEVANCE OF CSR TODAY

CSR as a strategy is becoming increasingly important for businesses today because of two identifiable trends:

**1. Changing Social Expectations :** Consumers and society in general expect more from the companies whose products they buy. This sense has increased in the light of recent corporate scandals, which reduced public trust of corporations, and reduced public confidence in the ability of regulatory bodies and organizations to control corporate excess.

**2. Increasing Affluence :** This is true within developed nations, but also in comparison to developing nations. Affluent consumers can afford to pick and choose the products they buy. A society in need of work and inward investment is less likely to enforce strict regulations and penalize organizations that might take their business and money elsewhere.

## LEADERS IMPLEMENTING CSR

CSR is about common sense policies that represent a means of integrating a complete 'social perspective' into all aspects of operations. The goal is to maximize true value and benefit for an organization, while protecting the huge investments corporations make today in their brands. CSR asks companies to ensure their business operations are clean and equitable, and contribute positively to the society in which they are based. Otherwise, they leave themselves open to too much danger from a potential consumer backlash. CSR is good business sense, and a total approach to doing business, in a globalizing world where companies are increasingly relying on brand strength (particularly global lifestyle brands) to add value and product differentiation, and where NGO- driven consumer activism is increasing. Many believe the issue of how corporations integrate CSR into everyday operations and long term strategic planning will define the business marketplace in the near future. It will become a key point of brand differentiation, both in terms of corporate entities and the products that carry their brands.

### **Key Steps On The Road To Integrate CSR Within All Aspects Of Operations Include:**

1. Ensure the commitment of top management, and particularly the CEO, is communicated throughout the organization.
2. Appoint a CSR position at the strategic decision-making level to manage the development of policy and its implementation.
3. Develop relationships with all stakeholder groups and interests (particular relevant NGOs).
4. Incorporate a Social or CSR Audit within the company's annual report.
5. Ensure that the compensation system within the organization reinforces the CSR policies that have been created, rather than merely the bottom-line.

Corporations today are best positioned when they reflect the values of the constantly shifting and sensitive market

environment in which they operate. It is vital that they are capable of meeting the needs of an increasingly demanding and socially-aware consumer market, especially as brands move to the front and center of a firm's total value. Global firms with global lifestyle brands have the most to lose if the public perception of the brand fails to live up to the image portrayed. Integrating a complete 'social perspective' into all aspects of operations will maximize true value and benefit for an organization, while protecting the huge investments companies make in corporate brands.

## **ROLE OF CSR**

Corporate Social Responsibility (CSR) has swept companies globally and has been claimed to be an integral part of the modern businesses. CSR reflects a company's goals, vision, mission, culture and the strategies. It defines what and how a company looks beyond profits. A number of companies today are beginning to incorporate CSR into their long-term planning processes, identifying specific goals and measures of progress because it plays a very significant role in the business, some of which can be explained as under:

✿ **Reduction In Operating Costs:** CSR initiatives help to reduce operating costs dramatically. For example, many initiatives aimed at improving environmental performance such as reducing pollution that contribute to global climate change or reducing use of agrochemicals also lower costs. Many recycling initiatives cut waste-disposal costs and generate income by selling recycled materials.

✿ **Higher Productivity And Quality:** A company's efforts to improve working conditions lessens environmental impact or increased employee involvement in decision making often leads to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold.

✿ **Attract And Retain Employees:** Companies perceived to have strong CSR commitments often find it easier to recruit and retain employees, resulting in a reduction in turnover and associated recruitment and training costs. Even in difficult labour markets, potential employees evaluate a company's CSR performance to determine whether it is the right "fit".

✿ **Reduced Regulatory Oversight:** Companies that demonstrably satisfy or go beyond regulatory compliance requirements are given more free reign by both national and local government entities. For instance, in the USA, the federal and state agencies overseeing environmental and workplace regulators have formal programs that recognize and reward companies that have taken proactive measures to reduce adverse environmental, health and safety impacts. In many cases, such companies are subject to fewer inspections and paperwork, and may be given preference when applying for operating permits, zoning variances or other forms of governmental permission.

There are just handful of benefits that one derives from CSR activities. However, to reap its long term benefits, organizations are required to keep their CSR focus areas clean and committed to what they have to say. So, whether a company works for women empowerment or is dedicated to educate the children of slum areas, the CSR activity that is undertaken is dependent on the company's mission and vision. Corporates these days are trying to experiments with various areas in CSR apart from what is stated in their vision statement. For instance, if a company visualizes to provide sustainability through employment, the CSR activities may not only focus on providing employ-ability options but also the overall personality development of an individual in terms of health, education etc. But with this experimentation comes another challenge, the companies are facing the crisis of formulating new voluntary corporate social responsibility standards and performance measurement tools for studying its impact.

## **SUCCESSFUL CSR EXPERIMENTS-CASE STUDIES**

Companies have been implementing CSR activities in various fields. This can be illustrated with the help of examples such as the following:

**1. Coca-Cola India :** A leader in carbonated drinks category, Coca-Cola had suffered huge losses owing to the pesticide incident. The company recently bagged the corporate responsibility award from World Council for Corporate Governance, UK for its efforts in water conservation and management, and community development initiatives. Coca-Cola India has installed 320 rainwater-harvesting structures in 17 states and has restored several traditional water bodies and checks dams across the country for water conservation. The company has a target to reach a "net zero" balance with respect to ground- water bodies and checks dams across the country for water conservation. The company has also undertaken a project to provide drinking water to nearly 30,000 children in 100 schools in and

around Chennai. The company plans to provide clean drinking water in 1,000 schools by 2010.

**2. ITC Limited :** ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities such as creating livelihoods by helping poor tribals, make their wastelands productive; investing in rainwater harvesting to bring much-needed irrigation to parched dry lands; empowering rural women by helping them to evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC touches the lives of nearly 3 million villagers across India.

## **FACILITATING CSR**

A Facilitator is the one who can make the process of implementing CSR easier. Generally, the government, non-governmental organizations and private bodies or institutions form the basis of smoothing the process.

## **GOVERNMENT INITIATIVES**

Indian government undoubtedly has strived to bridge the urban and rural divide. New attempts are being made in the form of collaborations and partnerships with local NGOs, corporate or private sector. Rural Business Hubs, for instance, is an attempt by Ministry of Panchayatiraj (MoPR) and Confederation of Indian Industry (CII) to establish a direct linkage between rural economy and industry. One of the key features of Rural Business Hubs is to provide a mechanism for industry to procure agriproduce directly from the farmers and conceptualize this as a model for overall development of the rural sector. This concept is also termed as public private panchayat partnership. The three main aspects of this partnership can be explained as under:

- 1) The industry provides interventions in terms of technology and know-how like information on good farming practices, agri-culture inputs, standardization and quality enhancement measures, value addition, branding and marketing, training and skill development and elimination of non-value adding activities.
- 2) Tie ups with government schemes ensure an overall development of the rural sector, including setting up of required infrastructure, accessing loans and procurement of needed technology inputs. The concept of Rural Business Hubs is not just restricted to agri-produce. It covers a broad spectrum of activities, including handicraft and handloom products, poultry farming, aquaculture produce, food processing, medicinal plants, bio-mass, bio-mass based power plant, jatropha cultivation, etc.
- 3) Rural Business Hubs link the industrial body with the local panchayats and the rural communities. It is chain that involves actions from both the parties. Likewise, many initiatives have been undertaken by the government and the private sector to provide an overall integrated development of the rural sector. Ongoing government programs like Integrated Child Development Services (ICDS), Sarva Shiksha Abhiyan (SSA) and National Rural Health Mission (NRHM) may be suitably reoriented to avail of CSR interventions optimally.

Worldwide, large multi-nationals have adopted a holistic approach to CSR. Many organizations have signed up to the United Nation's voluntary framework that focuses on the areas like: human rights, labour standards, the environment and anti-corruption. This framework is termed as the United Nations Global Compact that is increasing a firm's credibility before the public and monitoring its business actions. In India, CSR interventions that are based on commitment, mobilization of employees voluntarism, innovative approaches, appropriate technology and continuing partnership have been making lasting differences in the rural areas. It is still in tune with various NGOs. The synergy of corporate action for water conservation and recycling with the government and the civil society plans are making these interventions more effective and are helping corporates to carry on business in the society. The government is using minimum wage overall policies, restriction on working hours, safe environmental practices with the organizations that are grounded to make a difference to the society in which they serve.

## **THE PROBLEM AREAS**

Predominantly oversized with the rural population, India is striving hard to bridge the huge divide between the urban and rural areas. Understanding this divide and analyzing its depth will require a lot of efforts and work by not only the Indian government but also the private and other self-formed bodies. Where there are ongoing developments in the CSR concept, organizations are still faced with tough situations when it comes to implementing social initiatives. A nation where about 7 million Indians reside in villages; the government, corporates and businesses are probing efforts



to reach to the bottom of the pyramid through their CSR initiatives. This figure is so huge, that umpteen efforts laid down by the practitioners and well-wishers fail or are at a very meek stage or lose their track of even reaching to their initial stage. Gaps or hiccup areas tend to develop from both ends-facilitators and beneficiaries. To pursue corporate social responsibility and address a sustainable system, it is necessary for any corporate or company to look at the concept of CSR as their core rather than a strategy of developing goodwill. The challenge here is to redefine corporate outlook towards sustainability and identifying their impact on the same. The next issue is whether the firm, corporate or the business has the capacity, expertise, resources, or access to the necessary support to implement CSR as identified. Generally, under-developed resources for implementation have created huge gaps and have increased the cost for CSR implementation. Though the cost reduction can be addressed through industrial collaborations, the sensitivities over such collaboration with competitors, judiciary and undeveloped capacities within firms have led to creation of gaps at the execution level. For having CSR activities implemented, many villages in India are deprived of basic infrastructures such as roads, water, sewages, electricity, schools, hospitals, transport and the list is endless. Regular investment of infrastructure in over 600,000 villages is nearly impossible for the government alone to achieve. Infrastructure investments directly depend on the financial resources available and the geographic distribution of the population. The government can only provide funds and inaugurate new schemes for welfare. The schemes go to waste since there are no proper channels or systems available for execution. Another issue at the grass-root level is education or availability of literate manpower. Recent figures according to the United Nations suggest that in India, around 42 million children between the ages of 6 and 14 are not in school. The national literacy rate of girls over seven years is 54%, compared to 75%, for boys. In the northern states of India, girls' literacy rates are particularly low ranging between 33% and 50%. These figures ultimately show the extent of exploitation that can be faced by these people. The less illiterate a person is, the more are his/her opportunities to be employed in other sectors. Illiteracy is the root of all consequences owing to which, many rural citizens fail to recognize certain opportunities where they can have better chances of earning a living. There needs to be a drastic change in the attitude and mindsets of the rural manpower to adapt to changes, revolution and the new system.

To elaborate more on the changes mentioned, since the literacy rate is poor, the belief amongst most rural population about castes, superstitions, communities and races makes it very difficult for private as well as public institutions to accomplish new developments and involve the rural population. The attitude of the population poses a serious hindrance to any mission that can be accomplished. For instance, a woman hailing from a Rajput community will not be allowed to step out of the house to earn a living. A man from the Dalit community, for example, will always be looked at for services like sewage cleaning or garbage collection. These belief systems have created huge impacts on the self/esteem and morale of the underprivileged and deprived communities. The fact is that CSR can be a socio economic initiative by the private sector but to establish and reach a larger audience, the intervention of the government, local bodies or welfare institutes is necessary. Whatever areas the private sector wants to pursue, an in-depth outlook towards the concept is necessary to be understood. This can be identified by the corporate and through strategic implementation of plans and actions, results can be achieved. If the channel of execution is nurtured effectively, most bottlenecks can be cleared. A number of factors are driving the increased adoption of CSR practices in the corporate India. Regulation or judiciary provides the baseline for corporate action, notably for employment practices and the environment. Apart from these, many companies believe in being a good corporate citizen that forms a vital aspect of their identity, values, and vision. For those companies which are established at an international level, CSR is no longer a necessity but a commercial factor that is linked directly to profits and brand value. Despite the huge developments and changes in the concept, CSR in India has yet to realize its full potential. Individual and collaborative initiatives continue to be more self-asserted rather than being accountable. Though the number of CSR projects and programs are many in India, there is a lack of clear metrics for evaluating their actual impact in improving social conditions. For instance, if a company claims that its employees are the greatest assets, it fails to provide an evidence of how this asset is being valued and enhanced. In the same context, if a company claims that it develops the grass root lives, apart from their inflated financial figures, there are no quantity and quality measures that can measure the overall development.

## **CSR- A BUSINESS OPPORTUNITY**

CSR is not a cost centre but an effective management tool with multi-dimensional benefits. CSR purpose and strategy for the society is that it does not treat relationships between business and corporate growth and social welfare as

a zero-sum game, grounding CSR in the values of a business offers a new way to look at the entrepreneurial fashion. Corporate social responsibility (CSR) has recently taken flight into board/conference rooms and has emerged as a topic of concern in corporate, government and international business forums. The reasons are varied: global warming pressures, wide divide of wealth, customer preferences of ethical business practices etc. Media support has further fueled this fire. In this global age, social, economic and political problems merge into one another-as do the solutions. In response, CSR has emerged as an inescapable priority for business leaders and a response to new conditions, new challenges, and new Opportunities. CSR in near future will play a key role in sustainable businesses. Companies which aspire to be, or are, leaders in corporate social responsibility are challenged by rising public expectations, increasing innovation, continuous quality improvement and heightened social and environmental problems. They are forced to chart their CSR course within a very complex and dynamic environment. In India, CSR has been seen as philanthropy, charity, social-giving in the past. Most business families have been taking up topics of their respective interests and investing in them. With globalization, the demands are changing the definitions, it is not only about how you spend the money, but customers are also demanding information on all the businesses processed- in how the company makes money and treats the various stakeholders. It is increasingly being appreciated that the success of a business is inextricably tied to the welfare and stability of the community. "People" and "Planet" have a part to play alongside "Profit". This calls for a new corporate logic, in which caring for employees, communities and environment is not only seen as morally correct, but also the best approach for continuity and profitability. Governments, activists, and the media have become adept at holding companies accountable for the consequences of their actions. CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental and social imperatives, while at the same time, addressing shareholder and stakeholder expectations. It is about meeting the current needs and ensuring the future generation's needs are not compromised upon. Good CSR goes a step further, increased belongingness in employees, enhanced skills and better motivation brings better productivity, and lower rates of attrition. Fair practices in supply chain will add to transparency in the organization, public image, efficiency and effectiveness. Responsibility towards the environment and community will improve the conditions around work space in many dimensions.

## **CSR- THE HIDDEN OPPORTUNITY**

Why be good? Why do the right thing, especially when so many around you can profit by doing the wrong thing? How much am I willing to pay to be good?

Tough questions indeed. People who do charitable work often talk about how rewarding it is. Call it the next generation of corporate philanthropy, from writing cheques, companies are more closely integrating their cause agendas into their business strategies. And it's paying off in many ways. Companies recognize CSR's dividends. Log onto the web site of any Fortune 500 company, and you are likely to find a prominent link, to its CSR efforts, with some even launching massive media campaigns promoting their CSR endeavors. According to a World Economic Forum survey of CEOs and leaders (Voice of the Leaders Survey), corporate brand reputation outranks financial performance as the most important measure of success. Companies with a public commitment to ethics perform better on 3 out of 4 financial measures. On an average, CSR- oriented companies also have 18% higher profits.

## **CSR- A TOOL FOR COMPETITIVE ADVANTAGE**

A number of factors are driving the increased adoption of CSR practices in the corporate sector. Regulation obviously provides the baseline for corporate action, notably for employment practices and the environment. Beyond this, for many companies, being a good corporate citizen is a vital aspect of their identity, values, and vision. Far-sighted business leaders recognize that it is unsustainable for their companies to exist as 'islands of prosperity' in a sea of poverty. Market forces are also propelling many firms to go 'beyond compliance', notably for those selling into international supply chains. No longer a legal necessity and a nice thing to do, CSR is emerging as a 'hard' commercial factor, linked directly to profits and brand value. If corporations of innovation and competitive advantage consider social responsibility using the same frameworks that guide their core business choices, they would discover that CSR returns can be a potent source of innovation and competitive advantage. The corporate sector is replete with examples of companies where CSR practices have not only established them as credible enterprises but also brought them business benefits like :

- ✿ Cost savings
- ✿ Reducing risk
- ✿ Increasing revenue
- ✿ Building reputation
- ✿ Developing human capital
- ✿ Improving access to capital

## CSR AS AN OPPORTUNITY

The underlying challenge for CSR in India is how to demonstrate a clear link between a company's own commercial objectives and the wider goals of society.

We are familiar with the outline of a successful company: one that is profitable, productive, with a strong reputation and efficient in the use of natural resources. Yet, simply achieving these goals may not be enough to be a responsible company- if profits do not lead to per capita income growth, if employee well being does not improve, if community programmes do not raise social welfare, and if the company's eco-efficiency fails to sustain the underlying natural resource base. Sufficient progress has now been achieved to demonstrate the case for CSR in India. The task is now to apply fundamental business principles to make CSR sharper, smarter, and focused on what really matters. This means rigorously focusing on priorities, allocating finance for treating CSR as an investment from which returns are expected, monitoring activities to ensure initiatives really deliver outputs, and reporting performance in an open and transparent way so that all can celebrate progress and identify areas for further action.

## MAKING PRIORITIES

✿ **Building On The Existing Good Practices, Four Interlocking Priorities Of Action Emerge, I From Philanthropy To Social Investment:** India's inadequate social infrastructure means that corporate funding of community initiatives will remain a critical contribution to the national development for years to come. However, better understanding is needed of the performance of these programmes to enable companies to allocate their funding appropriately for their stakeholders, and notably affected communities to be able to have a real influence on decision making. In addition, there is a real opportunity for corporate action in this area to move upstream into core operations to make the underlying business mode 'pro-poor'.

✿ **Sustaining Critical Natural Capital:** India's natural resource base continues to be depleted through a range of pressures- technological, economic, social, and demographic. The result is often an acute 'resource crunch' leading to conflicts between companies and communities over scarce water or biomass resources. A vital area of corporate commitment, particularly in resource intensive sectors, such as metals and mining, and oil is to develop clear programmes first to assess and then reduce the corporate footprint so that it rests within the available carrying capacity, thus ensuring equitable access, particularly for low income groups.

✿ **Ensuring Transparency:** Without disclosure of performance, there is no basis for evaluating corporate movement towards responsible business practice. Good practices do exist in India, but they are limited. Working with leading international institutions, such as the Global Reporting Initiative, there is a powerful opportunity to develop a core set of common CSR indicators that leading companies can use to communicate their performance, both internally and externally.

✿ **Linking CSR & Financial Performance:** In North America and Europe, socially responsible investment has become an important complement to CSR. In the words of the Association of will be British Investors, '*incorporating social responsibility can reduce portfolio volatility and increase returns*'. If CSR is to be pursued on a truly sustainable basis by India Inc., then investors will need to appreciate the linkages with financial performance and understand the challenges of delivering long-term social returns in the context of the ever shrinking financial horizons. Opening a dialogue between the business and life by financial communities on social responsibility is therefore essential, and should help to provide a stronger analytical case for CSR.

## THE WAY FORWARD

One of the most significant trends will be the increasing influence of stakeholders, whether through more engaging stakeholder dialogue or through stakeholder campaigns. Stakeholders will become more strategic and more

coordinated, increasingly working together on issues of common concern. Consumers and employees will become more demanding as and when they perceive the connections between corporate behaviour and their quality of life. Suppliers will increasingly be pulled into CSR practice as companies through coercion or choice integrate CSR throughout their supply chains. CSR issues are expected to remain the same, though the performance bar will continuously be raised. The environment, poverty and social exclusion and governance, ethics, transparency and accountability are expected to be the dominant future CSR issues. Most governments will be requiring mandatory disclosure of corporate social and environmental performance, and encouraging different CSR approaches to flourish through voluntary compliance on CSR standards and codes. Business schools will increasingly jump on the CSR bandwagon, integrating CSR curriculum within their business programs. CSR will be promoted as a means of fostering creativity and innovation.

The future of CSR lies in the hands of the public and civil society organizations and their changing expectations. For the private sector to be perceiving social responsibility as an opportunity, rather than as damage control or a PR campaign, requires dramatically different thinking-a mindset, which will become increasingly important to competitive success. The essential test that should guide CSR is whether it presents an opportunity to create shared value - that is, a meaningful benefit to society that is also valuable to the business. CSR is not a cost centre but an effective management tool with multidimensional benefits. ISO certification experience has also proved the same. CSR offers a new way to look at the relationship between business and society that does not treat corporate growth and social welfare as a zero sum game. Grounding CSR in the values, purpose and strategy of the business and treating it in entrepreneurial fashion is the way forward- CSR is an opportunity in the offering.

## **CSR IN REALITY**

Companies, business and society are more connected and interactive today than ever before. Corporations are more aware of their role towards the society. They are expected to be responsible bodies with a sense of duty towards common resources and the environment and there is a growing realization that they, as an integral part of this society themselves, can contribute to its campaigns and can make all the difference. Corporate Social Responsibility or CSR constitutes the foundation of the tripartite relationships among companies, society and the nation. Corporate Social Responsibility (CSR) is expected to be integral to business today. It has also become the password to not only overcome competition, but to ensure sustainable growth. It has been supported by the shareholders and stakeholders, by and large, encompassing the whole community. CSR in reality is the alignment of business operations with social values, it takes into account the interests of stakeholders in the company's business policies and actions. It focuses on the social environmental, and financial success of a company - the so-called "triple bottom line" with the aim to achieve social development while achieving business success. More importantly, CSR is the points of convergence of various initiatives aimed at ensuring socio-economic development of the community as a whole in a credible and sustainable manner. Individual efforts and even just government effort is not enough to bring changes at a pace that it is actually needed. Fortunately, with the popularity of CSR more and more companies now perform in non financial arenas such as human rights, business ethics, environmental policies, community development, corporate governance, and workplace issues. Now, social and environmental performances are considered side by side with financial performance. From local, economic development concerns to international human rights policies, companies are being held accountable for their actions and their impacts. Companies are also more transparent in disclosing and communicating their policies and practices as these impact employees, communities, and the environment as per global reporting norms. The belief among the companies is that every aspect of a corporation's CSR should be linked to corporate strategy by connecting it (as possible) to the company's unique capabilities and competitive context. Infosys is an interesting example of this new age CSR. The company is utilizing its core competence in the are of technology to bring larger good to the community. We also have the ITC group whose socio forestry initiative and e-choupal is an excellent paradigm where CSR and business have created harmonious associations. The cynic would however argue that 70% of ITCs revenues still come from tobacco and wonder whether its CSR is just a smokescreen. Some companies, though fewer in number, are realizing the advantages in linking corporate strategy with CSR. In order to work out a comprehensive plan for its not for profit initiatives, the Tata group has instituted the Tata Council for Community Initiatives- a central body that acts as a facilitator for the entire group's social initiatives. While the Tata group companies may continue to provide health services, education and other



tangible benefits, its focus is more on building self-reliant communities, and working towards sustainable livelihoods. However after Singur and Kalinganagar, even the fair name of the Tata group is sometimes controversial. CSR has moved from being a public relations tool or a feel good factor to a key parameter to keep companies open and transparent. It now no longer stands in isolation but has become a part of good Corporate Governance policies. The reality today is that companies are taking the issues of 'reputational risk' very seriously and it is no longer seen as an option. Most CSR models are based on the principle that goodwill earned from the stakeholders leads to benefits for the corporation. This in turn enables the corporation to further enhance stakeholder value.

### **TRIPLE BOTTOM LINE**

The oft-quoted concept of triple bottom line reporting of CSR suggests that there are three separate and distinct bottom lines - each of equivalent standing. It is believed that in the context of sustainable development, it's impossible to consider the economic dimension in isolation from the social or the environmental, and vice versa. To be a truly sustainable organization, in the broadest definition of the terms, an organization must perform well across all three dimensions. Corporate social responsibility is also seen as basically a new business strategy to reduce investment risks and maximize profits by taking all /the key stake-holders into confidence. The proponents of this perspective often include corporate social responsibility in their advertising and marketing initiatives. Corporate social responsibility is qualitatively different from the traditional concept of corporate philanthropy. It acknowledges the debt that the corporation owes to the community within which it operates, as a stakeholder in corporate activity. It also defines the business corporation's partnership with social action groups in providing financial and other resources to support development plans, especially among disadvantaged communities. The emerging perspective on corporate social responsibility focuses on responsibility towards stakeholders (shareholders, employees, management, consumers and community) rather than on maximization of profit for shareholders. There is also more stress on long-term sustainability of business and environment and the distribution of well-being.

### **SUCCESSFUL CSR EXPERIMENTS**

Successful experiments are as yet few and far between in India. As the saying goes "*In the land of the blind, the one eyed is the king*": so are the few examples of good CSR. Companies tend to pay lip service or remain in the philanthropic mode. Writing away cheques to 'soft issues' such as children issues, disability, health checkups, blood donations and building temples tend to remain the most favoured while questions remain on "how the money" was made, official issues around responsible business practices remain completely unanswered. Companies tend to give away financial resources to NGOs or organizations or charities and this continues to be the favoured route. Others set up their own in-house foundations such as Infosys and Wipro. India evolved a tradition of 'Trusteeship' propounded by Mahatma Gandhi and this was later adopted by corporate leaders such as G.D. Birla and Jamnalal Bajaj. These were initiatives of the pre- independence era. Some of these CSR experiments have succeeded in the establishment of excellent institutions such as Indian Institute of Science, TIFR, TISS by the Tatas, BITS Pilani by Birlas, and the Jamnalal Bajaj Institute by Bajaj. Glaxo Smithline Consumer Healthcare works to support a large number of partnerships spread across the country with issues such as reducing of infant & maternal mortality, access to health care for tribal communities, breast cancer awareness for low income communities, school education for dropouts, etc. During Emergencies such as Tsunami and the recent Bihar floods, it distributed material in kind such as Crocin, biscuits as well as donation of office infrastructure. It recognizes that NGOs and local partners are some of the best ways of quickly reaching the affected communities and has worked with a large number of respected organizations including Gandhian ones. In the traditional paradigm, most orate bodies viewed CSR as the extension of a financial input for a humanitarian cause. However, the contemporary context is more complex. A company that undertakes activities aimed at communities (be they philanthropic, social investment or commercial initiatives) but does not comply with ethical business practices cannot be termed socially responsible. Corporate Responsibility is increasingly becoming an important aspect of corporate behaviour. Corporate contribution to society, environment and business when guided by enlightened self-interest improves quality of life for all. Effective corporate responsibility requires a good level of commitment from the entire organization and especially the top management who can ensure that not only is CSR practiced but also that it is practiced well. Godrej Industries Ltd., one of the largest industrial groups in India, has not only integrated conservation of natural resources in its business operations b

but has minimized its carbon footprint. The company's windmills have brought down carbon emissions, earning it carbon credits.

## SUMMARY

The effort of most of the companies in the near and medium term shall focus on structuring the CSR initiatives through articulation of policies and guidelines for CSR, allocation of resources, CSR performance evaluation and reporting followed by institution of management systems.

Nearly all the companies recognize that there is a paradigm shift occurring where in, investors of the future shall demand greater transparency in disclosure of both financial and non financial information to better understand companies and that companies are gearing up expect to respond to such requirement from investors as most believe that they shall benefit from the greater transparency. Companies foresee themselves as entities that earn profits through ethical practices, complying with regulatory requirements and with a specific substantial focus on protecting the environment and improvement of employee health and safety. Many feel that companies should listen more to stakeholders, provide equal opportunity, and avoid child labour and create jobs. Some believe that companies should apply global standards and provide job security to employees.

## CONCLUSION

Today, there are two Indias. On one hand, India Inc., is that of the corporate sector comprising a large variety of businesses. The other India is that of slums, the urban poor and rural areas where poverty is rampant and even the basic necessities are absent. There is wide gap representing inequalities in a civilized society. India Inc., with its enormous resources and in the spirit of enlightened self interest, has undertaken a variety of initiatives as an attempt to remove the sharp edge of poverty. "*Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large*". The study adopted the three-stage framework, which shows the increasing degree of involvement of the company in the social responsibilities.

The first stage is that of *Philanthropy*. This is carried out by most organizations today as a part of their normal activities. This includes community service, donations and employee participation. The second stage, *Stakeholder Responsiveness*, includes the corporate' responsibility towards the shareholders, employees, government etc.

The third stage, *Leadership On Sustainability*, is the stage where corporates begin to think big in terms of the long run and in terms of the environment as well. Environmental protection, treatment of hazardous substances, safety certifications, etc. are often part of this. Through this research, we can conclude that a vision of holistic approach to CSR is now firmly in place. There is an all-round desire to be a good corporate player. However, transition from the present compliance centric approach to the new paradigm would require leadership at the top most level and an array of support measures. A suitable strategy based on the barriers, drivers and leadership based approach should be followed. The industry associations have also a critical role in sharing of experiences and rewarding the best practices. Similarly, there is an urgent need for the leaders of the company to align the business policy with the CSR, which can be implemented in an efficient and effective way. Ethics are vital to good Corporate Governance and CSR. Company boards too are now becoming much more aware of the need to have the right ethical culture. The culture of an organization is probably the most important aspect of its system of internal control, and it is the foundation for other internal controls. Management may set out the policies and procedures, which it wants to be followed, but it is the corporate culture, which determines when they are followed, amended or ignored.

Business ethics are a different, but related matter. Accountants who do business, particularly at board or at top management level, are often regarded as the keepers of the ethical conscience of their organizations as well as following their own professional codes of ethics, and accountants set an ethical example to others. Finally, in India, the level of awareness of the corporate sector and civil-society groups is much higher, with extensive debate and discussion on how corporate responsibility could become part of mainstream business practice. Numerous corporate responsibility initiatives have blossomed in the past few years, often involving external partners and funding from UN agencies and other donors, such as TERI. Beyond the CSR conference circuit, however, one of the more positive developments for the future is the increasing desire of India's educational institutes and business schools to introduce corporate responsibility in their curricula.

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