

## **THE NEW PARADIGM OF CORPORATE SOCIAL RESPONSIBILITY IN INDIAN ECONOMY**

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### **ABSTRACT**

**This paper aim to find out the CSR reporting of companies of India. This research aims to address to maintain the social & financial responsibility of the Indian firms through focusing on the era of CSR framework on developing nations, particularly the emerging market of India. The type of research is descriptive and qualitative in nature. The Secondary data and detailed information through Journals, Magazines and websites were used.**

***Keywords:*** Corporate responsibility, Social responsibility, CSR framework.

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## **INTRODUCTION**

Corporate social responsibility is the most ever discussed topic today. Every business aims to earn profit for the survival and long term growth and social responsibility means servicing community without any expectation. Social responsibility and business has to work out in parity. CSR is a strategic planning tool which is implemented by the managers of those companies which want to be winning and sustain their position in front of their customers, because the winner is the one who can offer cheaper goods; best quality service; innovative products; attractive offers, maintain brand loyalty, which is not offered anywhere else predominantly considered as a western phenomenon due to strong institutions, standards, and appeal systems which are weak in developing countries of Asia (Chapple and Moon, 2005).

This paper deals with the financial performance of Indian companies and conclude on their social responsibility status.

## **LITERATURE REVIEW**

India experienced a paradigm change in the role of CSR in emerging economy. The main idea of CSR is that companies should accept that they play in society more than just an economic role. But the role of CSR in industry and commerce sector in developing countries, are limited, because of less skilled workers, less specialist experts; less political decision for social welfare, low economic development levels (e.g., Baughn et al. 2007), low GDP, unsteadiness between richer and poorer peoples, Low income, less purchasing power, additional corruption, different Cultural aspects, and financial instability. But in recent years the emerging markets have received increased attention (Baskin2006; Baughn et al. 2007; Cappellin and Giuliani 2004; Chapple and Moon 2005; Ewingand Windisch 2007; Kimber and

Lipton 2005; de Oliveira 2006; Roper and Weymes 2007; Welford 2004) At the time of recession when economies go down, companies hike their product cost, delayed in payment, small firms takeover by the large firms, consumers buy back their money in the market and hold it, Consumer switch substitute products; On that time CSR is a significant tool to overcome these problems. Studies have found that firms from emerging markets lag behind their counterparts in mature economies with regard to CSR implementation and activities (Welford)

McWilliams and Siegel (2001) state that CSR is defined as corporate actions that further social good beyond the interests of the firm and that are required by law. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility (CSR). CSR is a “concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission). Barnett (2007, p. 801) defines corporate social responsibility as “a discretionary allocation of corporate resources toward improving social welfare that serves as a means of enhancing relationships with key stakeholders.” Carroll (1979, 1991) suggested the social responsibility of business comprises economic, legal, ethical, and discretionary or philanthropic components. More recently, The concept of corporate social responsibility is based on the premise that a business firm is more than an economic institution. But there are actually two different types of corporate social responsibility to consider. The first one consists of corporations providing funding and resources for worthwhile social causes, such as donating money or employee time to charities. like; The employees of GAIL (India) Limited have voluntarily contributed one day’s salary for relief and rehabilitation work in disaster-hit Uttarakhand and the second type of CSR involves producing products or providing services that are in the best interests of society. These include things like using safe materials in design and manufacture, corporate environmental initiatives, and other factors such as job creation, help weaker section of society, economy development.

Indian companies have started changing their outlook towards CSR by looking beyond passive philanthropy. They have explored that their impact on the economic, social and environmental sector directly affects their relationships with investors, employees and customers. It was mainly promoted by a large or multinational companies, as well as small national companies also;

Teflon Companies Shell was one of first companies which made the experience, that early responsible acting is better than later crisis management.

## **CSR AND INDIAN ECONOMY**

According to Kautilya's Arthashastra, "In the welfare of the people lies the king's welfare and in their happiness his happiness" (cited in Jose et al., 2003). Kautilya elaborates on the fourfold duty of a king as: Raksha (Protection = risk management aspect) Vridhi (Growth = Stakeholder value enhancement) Palana (Compliance = Compliance to law in letter and spirit) Yogakshema (Well being = Corporate

Social Responsibility) all these four aspects maintain the relationship between business, government and society. Companies like Tata Steel were very involved in trying to tackle many social problems even before the term CSR formally entered the vocabulary of management texts (Singh, 2008). With the popularity of CSR, more and more companies now perform in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Numerous companies in India are enthusiastically engaged in CSR activities. Chapple and Moon (2005) suggest that a high level of inward foreign direct investments (FDI) into a country increases the likelihood that CSR practices will be adopted by domestic companies.

A lack of provable link between CSR and firm performance often discourages companies from engaging in CSR (British Council et al., 2002), Prof Hazari's Report on the Industrial Licensing system (1966), are very critical of the unethical role of the Indian businessman today. But in current scenario most of the Indian companies mostly focus on CSR activities for the community development and maintain their brand image in the market. So they now fulfill the expectation of their stakeholder responsibilities and societal obligations, along with their shareholder -wealth maximization goal. Most of the corporates are involved in corporate social responsibility (CSR) programmes like education, training programmes, fitness programmes, skill development, employee volunteer programme, conducted seminar and workshop on various ethical topics and empowerment of weaker sections of the society. e.g.; Tata Group, Reliance, Infosys, Bharti

Enterprises, Pantaloon Retail, Jet Airways, Redington, EID-PARRY, ITC Welcome group, Indian Oil Corporation among others. Infosys is an interesting example of this new-age CSR. The company is utilizing its core competence in the area of technology to bring larger good to the community. It has donated 1185 computers to 435 institutions across India. APTECH a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country .It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps. Aditya Birla group today is involved deeply in issues related to vocational training, education (has 35 odd schools), leprosy eradication, widow remarriage and orphanages. IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribal's in the Sasan area of Gir forest. ITC group plan socio-forestry which is an excellent paradigm where CSR and business have created harmonious associations.

However, there is a growing feeling among the Indians that business organizations must play a wider role in the society towards primary stakeholders (principle stakeholders) are the shareholders, management, and board of directors, and secondary stakeholders (other stakeholders) include employees, customers, creditors (e.g; banks, bond holders), suppliers, regulators, and the community to provide the fair wages and salaries, fair trade practices, retirement benefit and pension schemes, high labor standards, fair and bearable product pricing, help the weaker section of society, reducing human rights abuses at the work place.etc..but as we know every coin has two aspects positive and negative, same as India also there have some suitcases in which the application of CSR is rare, on the contrary, the fight against poverty, the development of education, as well as the conservation of the environment are not existent in most of the Indian enterprises.

Avoiding the Social responsibilities sometimes trouble the companies financial performance a lot.

Those companies which ignores social problems, who exploits labor, and who is a selfish money grabber, due to this they lose their identity, goodwill and brand loyalty towards their consumers in the market and suffer from loss, like The news of pesticide content in Pepsi and Coca-Cola beverages in India reduced the sales of both companies by 60% (Financial Express).But now a

day's investors expect that only successful companies have enough cash and resources to sustain CSR expenditures. Companies that exceed the expected level of CSR spending are perceived by investors as signaling better future performance.

That's why now a day's Indian government becomes very serious regarding to CSR activities. The lower house of the Indian parliament has passed a new Companies Bill that requires companies above Rs. 500 crore, or an annual turnover of over Rs. 1,000 crore, spend at least 2 percent of annual profits on corporate social responsibility (CSR) activities. In the draft Companies Bill, 2009, the CSR clause was voluntary, though it was mandatory for companies to disclose their CSR spending to shareholders.

#### Top 10 Companies for Sustainability & CSR in 2018

1. Tata Chemicals
2. Ambuja Cement
3. Infosys Ltd.
4. Mahindra & Mahindra Ltd.
5. Tata Motors Ltd.
6. Tata Power Company Ltd.
7. Bharat Petroleum Corporation
8. ITC Ltd.
9. Hindustan Zinc Ltd.
10. Indian Oil Corporation

Tata group companies occupy the prime position, according to the report 'Responsible Business Rankings 2018' by IIM Udaipur and Futurescape. Ambuja Cement has moved up to the second position. Infosys, Bharat Petroleum Corporation Ltd, Hindustan Zinc and Indian Oil Corporation Ltd joined the top 10 list. Two public sector companies have entered the top 10 list – Bharat Petroleum Corporation Ltd and Indian Oil Corporation Ltd

We find that more Indian companies are complying with the Government of India rule to spend 2% or more of average net profit of previous three years in CSR.

	2014-15	2015-16	2016-17
<b>Average CSR spend (%)</b>	1.4%	1.7%	1.8%
<b>% companies that spent 2% or more</b>	32%	48%	57%
<b>CSR Spend/Committed Amount</b>	69%	78%	84%

### Manufacturing companies spend more than services in general

	Manufacturing	Services
<b>Average CSR spend (%)</b>	2.0%	1.5%
<b>% companies that spent 2% or more</b>	69%	41%
<b>Average spend per company (Rs crores)</b>	49.9	39.9
<b>CSR spend/Committed amount</b>	92%	73%
<b>Top three spenders</b>	Jindal Stainless National Fertilizers (4.7%) Ambuja Cements (4.0%)	Piramal Enterprise (7.2%) Canara Bank (4.2%) IDFC (2.7%)

According to the Companies Bill, the activities included in CSR are -Eradication of hunger and poverty, promotion of education and gender equality, empowerment of women, reduction in child mortality and improvement in maternal health, combat of HIV and other diseases, environmental sustainability, vocational training, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central or state governments, welfare of SC/STs and OBCs.

### RECOMMENDATION AND SUGGESTIONS

1. Companies can enhance their brand image with the help of CSR.

2. Through CSR it is possible to create more employment opportunities
3. CSR can contribute to the economic development of the society as it will raise the level of national income.
4. There is need to enhance the initiatives through CSR by Indian companies especially in the culture and Environmental Protection.
5. Through CSR it is possible to presents an opportunity to reveal SR Programmes, Corporate Values, Policies and Customs as well as deliver governance.

## **CONCLUSIONS**

Now a days Companies have become aware about the importance of society for longer business. Therefore they are more prone towards the association with these societies as it has been proved that the contributions towards society's welfare are being profitable for long term achievements for Corporate.

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