



## Corporate social responsibility economic progress, social progress and challenges Ms

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### ABSTRACT

The company is operating in a society; it cannot stay away from the social issues. The society provides both customers and resources to fulfil the business objectives of the corporate companies. So, companies should serve for society by fulfilling corporate social responsibility. Our business doesn't exist in isolation nor is it simply a way of making money. Our employees depend on our business. Customers, suppliers and the local community are all affected by our business and what we do. Our products, and the way we make them, also have an impact on the environment.

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### Introduction

The company is operating in a society; it cannot stay away from the social issues. The society provides both customers and resources to fulfil the business objectives of the corporate companies. So, companies should serve for society by fulfilling corporate social responsibility. Our business doesn't exist in isolation nor is it simply a way of making money. Our employees depend on our business. Customers, suppliers and the local community are all affected by our business and what we do. Our products, and the way we make them, also have an impact on the environment.

Corporate social responsibility (CSR) is about understanding our business' impact on the wider world and considering how you can use this impact in a positive way.

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Companies have become more transparent in accounting and display 'public reporting' due to pressures from various stakeholders. It is possible for companies to behave in the 'desired' ethical and responsible manner towards consumers, employees, communities, stakeholders and environment. They have started incorporating their CSR initiative in their annual reports.

### Literature Review

An important aspect of CSR is how enterprises interact with their internal and external stakeholders; employees, customers, neighbours, nongovernmental organizations, public authorities, etc (Enterprise and Industry, n.d). Any problems occurred in the society can affect the organization as well. Since the companies are utilizing huge resources of the society, they should take the responsibility of serving them as well. Giving employments to the public alone need not be the responsibility the organizations should undertake. They have much wider aspects to cover as far as the strength of the society is concerned. Moreover, the society has already accepted the tension between corporate rationality and social responsibility as an unavoidable condition of living

comfortably (Steven et al, 2007, p.17) and the companies should respect that.

**Beesley & Evans (1978)** suggest that governments should promote CSR through taxation and regulation to ensure that it is profitable for corporations to pursue CSR, and that it is only an achievable goal if competitive pressures are removed.

A survey by **TERI Europe and ORG-MARG (2001)** in several cities in India revealed that more than 60% of the people felt that the companies should be held responsible for bringing down the gap between rich and poor, reducing human rights abuses, solving social problems and increasing economic stabilities.

**The UK Corporate Responsibility Bill (2002)** suggests that corporations should "take all reasonable steps to minimise any negative environmental, social and economic impacts" (Article 7b).

**The European Multistakeholder report** identifies a range of multilateral and regional agreements relating to human rights, environmental development, consumer protection and worker's rights, which are aimed at the state level, but which they envisage acting as an 'inspiration' to companies in developing CSR strategies.

Michael Hopkins, Corporate Social Responsibility: An Issues Paper (2004) the paper specifically addresses transnational corporations and how they can negatively affect the development of countries when socially irresponsible and notes the increasing consumer awareness of corporate irresponsibility. It argues that better relationships between governments and corporations need to be established to reduce low living standards, exploitation, poverty, and unemployment, which would contribute to overall sustainable development.

**Arora and Puranik (2004)** reviewed contemporary CSR trends in India concluding that the corporate sector in India benefitted immensely from liberalization and privatisation process, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth.

**Mark Kramer, John Kania, Game Changing Corporate Social Responsibility – a Working Paper (February 2006)**, in their paper, four key principles are suggested (1) To enhance corporate image, company should select a single social problem to solve, (2) to establish concrete goals and provide regular report of its progress, (3) the company should deploy its key assets like product and services, skilled workers, industry expertise, and its credibility in solving social problem and (4) the most effective solution to social problem to make partnership with cross sector partners like government, non profit organisations agencies.

**Sanjay Pradhan and Akhilesh Ranjan, Corporate Social Responsibility in Rural Sector in India (2010)**, The conclusion of their study is that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, business goal, location of the company. Because Indian companies are realizing that without socio-economic development of the local communities, there can be no stability and sustainability for doing business so as to compete with the global market

#### Research Methodology:

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

#### CSR concept, definitions

Corporate social responsibility (CSR) is a concept describing corporate activities beyond profit-making; the term is increasingly used to describe the role of business in society.

CSR involves a broad commitment by companies to social welfare and the common good and to the policies that support them. It involves not just the products that a company manufactures but also being a good corporate citizen in terms of the employees that it hires and the way it looks after them. It is also about protecting the environment and getting involved in the local community and the wider culture in which the company engages in business.

#### European Commission defines CSR as:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis".

Kotler & Lee (2004) defined CSR as commitment to improve community well-being through discretionary business practices and contributions of the corporate resources.

#### Broadly speaking, CSR has three key components:

- the basic values, ethics, policies, and practices of a company's business;
- the voluntary contributions made by a company to community development;
- the management of environmental and social issues within the value chain by the company and its business partners—from the acquisition and production of raw materials, through the welfare of staff, to product sale, use, and disposal.

Corporate social responsibility is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. CSR has become a fundamental business practice and has gained much attention from the management of large international companies. Companies have explored that their impact on the economic, social and environmental sector directly affects their relationships with investors, employees and customers.

#### Objectives:

1. To understand the meaning of CSR and CSR status in India.

2. To study the Economic, Social and Environmental Progress in India through CSR Programmes and activities of various companies in India.

3. To highlight the benefits of CSR to a business.

4. To study the various challenges of CSR in India.

5. To make suggestions regarding CSR.



**Fig 1 : Areas of Corporate Social Responsibility**

According to Business Dictionary, "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs, and (3) by earning adequate returns on the employed resources".

Corporate Social responsibility is best defined by the World Business Council 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".

CSR in India

CSR is not a new concept in India. Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events.

Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that explore specific policies, strategies and goals for their CSR programs and set aside budgets to support them.

CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc. For example, organizations like Bharat Petroleum Corporation

Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, adopt villages where they focus on holistic development. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-dependent by teaching them vocational and business skills.

On the other hand GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.

Many CSR initiatives are executed by corporates in partnership with Non-governmental organizations (NGOs) who are well versed in working with the local communities and are experts in tackling specific social problems.

On 10 Feb., 2011 Times of India an article had been published that Companies law set to mandate 2% CSR spend.

India Inc should brace to set aside a specified portion of its profit on corporate social responsibility (CSR).

The ministry of company affairs (MCA), which is finalizing the new Companies Bill, has accepted a Parliamentary Standing Committee's recommendation on the issue. The standing committee on finance headed by former finance minister Yashwant Sinha has proposed that companies with a turnover of Rs 1,000 crore or net profit of Rs 5 crore or more earmark 2% of their net profit for the preceding three years on CSR.

The CSR spending proposed to be mandated in the new Companies Act would be in addition to what is being prescribed for companies in the mining or the coal sector. For instance, in case of Posco, the environment ministry has asked the Korean company to spend 2% of its annual profit on CSR.

Study of CSR Programmes of Famous Indian Companies  
There are some initiatives and programmes which results in Economics, Environmental and Social Progress by the various famous Indian Companies.

#### **CSR in public sector: Indian Oil Corporation**

Among the public sector organizations, Indian Oil Corporation (IOC) founded in 1964, stands out with vibrant CSR initiatives and clear policies to support activities that are socially responsible. These revolve around the principle of sharing profit. Every year, IndianOil sets aside a fixed portion of its profits for CSR activities.

#### **Notable schemes are:**

1. Environmental sustenance: IOC provides many options in alternative fuels such as ethanol-blended petrol, biodiesel, and hydrogen and hydrogen-CNG mixture.
2. Health-care: IndianOil has a concerted social responsibility program to partner communities in health, family welfare, education, environment protection, providing potable water, sanitation, and empowerment of women and other marginalized groups.
3. Natural Emergency Assistance: IndianOil has been in the forefront in times of national emergencies. Employees of IOC have rallied to help victims of natural calamities, maintaining uninterrupted supply of petroleum products and contributing to relief and rehabilitation measures in cash and kind.
4. Community Development: Allotment of petrol/diesel station dealerships and LPG distributorships to beneficiaries from among scheduled castes, scheduled tribes, physically handicapped, ex-servicemen, war widows, etc
5. Pro-farmer Initiatives: Kisan seva kendras are small-format retail outlets to reach quality products and services to people in the rural areas.
6. National Heritage: IndianOil has also set up the IndianOil Foundation (IOF) as a non-profit trust to protect, preserve and promote national heritage monuments.
7. Sharing Profits - Every year, IndianOil sets aside a fixed portion of its profits for spreading smiles in millions of lives across the country through a comprehensive community welfare and development programme. About one-fourth of the community development funds are spent on the welfare of Scheduled Caste and Scheduled Tribe beneficiaries.

CSR philosophy of ITC8

ITC is one of India's foremost private sector companies with a market capitalisation of over US \$ 30 billion and a turnover of US \$ 6 billion. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other FMCG products.

ITC has adopted 'Triple Bottom Line' approach of contributing to the economic, environmental and social capital of the country. CSR activities:

#### **Environment**

- ITC has been 'Carbon Positive' three years in a row (sequestering/storing twice the amount of CO<sub>2</sub> than the Company emits).

- 'Water Positive' six years in a row (creating three times more Rainwater Harvesting potential than ITC's net consumption).

- Close to 100% solid waste recycling.

All Environment, Health and Safety Management Systems in ITC conform to the best international standards.

#### **Social**

- ITC's businesses generate livelihoods for over 5 million people.

- ITC's globally recognised e-Choupal initiative is the world's largest rural digital infrastructure benefiting over 4 million farming families.

- ITC's Social and Farm Forestry initiative has greened over 80,000 hectares creating an estimated 35 million person days of employment among the disadvantaged.

- ITC's Watershed Development Initiative brings precious water to nearly 35,000 hectares of drylands and moisture-stressed areas.

- ITC's Sustainable Community Development initiatives include women empowerment, supplementary education, integrated animal husbandry programmes.

#### **Preserving National Heritage**

As a socially responsible corporate citizen, ITC endeavours to create value for the Indian society in multiple ways, one of them being preservation of India's rich cultural heritage. ITC has made significant contribution to the promotion of Indian classical music, theatre, art and cuisine.

#### **E-Choupal**

ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others

For ITC this is an expression of a commitment beyond the market. Of a conviction that country must come before corporation of a true pride in being Citizen First.

#### **Csr Programmes Of Reliance Group**

The Reliance Group, founded by Dhirubhai H. Ambani (1932-2002), is India's largest private sector enterprise, with businesses in the energy and materials value chain. Group's annual revenues are in excess of US\$ 58 billion. The flagship company, Reliance Industries Limited, is a Fortune Global 500 company and is the largest private sector company in India.

The Group's activities span exploration and production of oil and gas, petroleum refining and marketing, petrochemicals

(polyester, fibre intermediates, plastics and chemicals), textiles, retail, infotel and special economic zones.

### **Social Responsibility and Community Development**

RIL's contribution to the community are in areas of health, education, infrastructure development (drinking water, improving village infrastructure, construction of schools etc.), environment (effluent treatment, tree plantation, treatment of hazardous waste), relief and assistance in the event of a natural disaster, and miscellaneous activities such as contribution to other social development organisations etc. RIL's CSR teams across its manufacturing divisions interact with the neighbouring community on regular basis.

#### **Education**

RIL plays a pivotal role in supporting Government's initiative towards education of girl child. In Gujarat, under the project "Kanya Kelvani", RIL's Dahej Manufacturing Division has extended financial assistance towards education of girl child in the state

Reliance Dhirubhai Ambani Protsaham Scheme - The Scheme, launched in AY 2008-09, continues to support poor meritorious students. Recipient students of Reliance Dhirubhai Ambani Protsaham Scheme got admissions in junior colleges of their choice. RIL is providing financial aid to the toppers for pursuing their higher studies in engineering and medical streams.

#### **Community Health Care**

RIL has developed Community Medical Centres near most of its manufacturing divisions to provide comprehensive health services covering preventive, promotive and curative health care services to the community from neighbouring villages.

Drishti - A unique joint initiative of RIL and National Association of Blind, Project Drishti has undertaken over 9,000 free corneal graft surgeries for the visually challenged Indians from the underprivileged segment of the society. It is the largest corneal grafting surgery project enabled by a single corporate entity in India.

#### **Environment initiatives for the community**

A zero garbage campaign has been launched in Reliance Townships to propagate the concept of solid waste (dry and wet waste) management. This is a part of cleanliness drive for a disease-free environment at employees' township, the surrounding villages of Hazira Manufacturing Division and also Surat city in Gujarat.

Further, RIL in partnership with Gujarat Engineering Research Institute (GERI) and R & B Department constructed a 900 meter road stretch using 5% plastic waste. RIL's CSR team used unattended / non-recyclable plastic waste in construction of tar road which reduced construction cost as well improved road life and reduced road maintenance cost.

#### **Community Development**

##### **Reliance Rural Development Trust**

In FY 2010-11, Reliance Rural Development Trust (RRDT) undertook 797 works in 760 beneficiary villages of 125 talukas under 24 districts of Gujarat to create rural infrastructure under the Gokul Gram Yojana (GGY) of the Government of Gujarat. Total 608 facilities got completed during the year. The completed facilities include 478 Anganwadi buildings, 58 Cement Concrete Roads, 61 underground RCC sumps and 05 Check Dams and 06 other works with the total expenditure of Rs. 24 Crore in FY 2010-11. The Check Dams completed in FY 2010-11, will have total water storage capacity of 8.7 mcft and would cater to about 1,065 Hectares of rural land. RRDT, since its inception in 2001 till March 31, 2011, across the State of

Gujarat, has completed 7,306 various rural infrastructure facilities with an expenditure of more than Rs. 270 crore.

In this way Reliance Ltd. is contributing to the community, environment to whole society and society is developing and getting benefits from its corporate social programmes

### **Challenges towards CSR in India**

A lack of understanding, inadequately trained personnel, non availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. further adds to the reach and effectiveness of CSR programmes. But the situation is changing. And CSR is coming out of the purview of 'doing social good' and is fast becoming a 'business necessity'. There are some challenges and issues related to CSR in India:

- **Lack of community participation in CSR activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. There exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instil confidence in the local communities about such initiatives.
- **Need to build local capacities :** There is a need for capacity building of the local non-governmental organisations as there is serious lack of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises the CSR initiatives and subsequently limits the scope of such activities.
- **Issues of transparency:** Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, and utilisation of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is the key to the success of any CSR initiative at the local level.
- **Non-availability of well organised non-governmental organisations:** It is also reported that there is non-availability of well organised nongovernmental organisations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.
- **Visibility factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitises the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organisations to involve themselves in event-based programmes; in the process, they often miss out on meaningful grassroots interventions.
- **Narrow perception towards CSR initiatives:** Non-governmental organisations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.
- **Non-availability of clear CSR guidelines:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their

business size and profile. In other words, the bigger the company, the larger its CSR programme.

#### **Suggestion to improve CSR**

- Management needs to pay greater attention to the need for training the people responsible for CSR. There is lack of knowledge and awareness about CSR in India. It also pointed out the need for increased levels of awareness among all employees and need for training for CSR and Human Resource staff. Well-trained and knowledgeable staff will help to ensure greater spread, penetration and effectiveness of the company's CSR agenda.
- Companies need to raise the levels of transparency through improved communication. Preparing Sustainability and CSR Reports should be given serious thought. Companies also need to think to highlight their responsible activities with social messages in their corporate advertisements.
- Employees at all levels should have the knowledge and the responsibility to contribute to the company's responsibility programmes. Including and Publishing the company's CSR mission among its employees should start from the very beginning, at the time of recruitment.
- Companies should build effective partnerships with civil society organisations to implement their community development programmes. They need to learn from the best of the voluntary sector.

#### **Conclusion**

By investing in CSR, companies are investing in sustainability and broader economic, social, and environmental goals. CSR remains a glowing light of success for improving the role of business in society—but is also an ongoing challenge to which companies must remain vigilant, especially in emerging markets.

Thus CSR encourage firms to move away from their sole aim of maximizing profits and to lay more importance on improving the economic and social standards of the community in their countries of operation.

CSR is the way in which an organization strikes a balance between economic, social and environmental imperatives on the one hand and the expectations and welfare of the shareholders on the other.

Thus Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall

positive impact on society. Thus companies consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees shareholders, communities and other stakeholders, as well as the environment. If a company chooses to follow the way of CSR, it will integrate ethical concerns in its activities and in its interaction with all the stakeholders. In the end, it can be said that '*social responsibility means neither charity nor PR exercises, but an intelligent investment which brings benefits both to the company and to the whole community.*'

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