
Corporate Social Responsibility – The Indian Way

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ABSTRACT

Corporate Social Responsibility (CSR) is manifested in the objectives communicated by the top management of companies and usually with regular media coverage. A kind of ubiquitous image of CSR is projected by the corporate, sometimes even creating a doubt about the welfare conditions promised by the State. All activities of a firm which are not in relation to specific profit making strategies but which are beneficial to society in general can be classified under the broad heading of CSR. This definition of CSR includes active and passive orientation of activities accounting for the collective welfare of communities as far as the corporate is concerned. In a market driven economy the issues surrounding the general welfare regains importance and it has to be reluctantly accepted that the role of the state is diminishing to a certain extent. On the other hand, the controlling hand of government is called for at times of crisis only. In such a scenario the CSR and its impact has to be closely scrutinized. The scope and limitations of CSR are undoubtedly subject to criticism among managers and social scientists. Through this paper, a classification of CSR activities is conceived in order to explore specific industry-based outcomes affecting Society. Although the analysis of goodwill and quality of different initiatives within the umbrella of CSR is challenging an attempt is made to track the discourse of social responsibility.

Introduction:

Although not novel in the global scenario, Corporate Social Responsibility (CSR) became a concern only very recently in Indian Industry. It was already present in latent forms by virtue of the vision and mission statement of various company brochures and corporate advertisements. Today, it is more manifested in the objectives communicated by the top management of companies with regular coverage in the media. The scope and limitations of CSR are undoubtedly subject to criticism among social scientists. Through this paper, an ascription of CSR activities is conceived in order to explore specific corporate based outcomes affecting Society. The analysis of goodwill and quality of different initiatives within the umbrella of CSR is challenging but an attempt is made to track the discourse of social responsibility.

Definition and Scope of CSR

To derive a common definition of corporate social responsibility is a difficult exercise as lot of standards and guiding principles have been evolved. Beyond business ethics in developing countries like India, CSR

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contributes in nation building and socio-economic development. CSR in general can be defined as all activities of a firm, which are not in relation to specific profit making strategies but which are beneficial to society in general can be classified under the broad heading of CSR. This definition of CSR includes active and passive orientation of activities accounting for the collective welfare of communities as far as the corporate is concerned. It is recognized today that business has not got just the financial accountability, but has also social and environmental accountability and thus CSR is often referred to as Business Ethics. The expectations of the consumer and the society in general have also increased coupled with initiatives taken by selected NGOs in targeting powerful corporations.

Indian Context

Historically seen, in India, the evolution of CSR brings in many complex dimensions, which concern the polity and economics of the local society in which the corporate operate successfully. In a market driven economy, the issues surrounding the general welfare regains importance as the role of the state is diminishing to a certain extent. On the other hand, the controlling hand of government is called for at times of crisis. In such a scenario the CSR and its impact has to be closely scrutinized.

A comprehensive survey of CSR by UNDP, CII, British Council and Price Water House Coopers published as Corporate Social Responsibility Survey 2002 – India gives the direction that CSR is shaping in the Indian scenario. Based on development issue addressed by the various companies having CSR can be divided into 12 groups, such as Agriculture/ Related Areas, Arts, Culture and Crafts Promotion, Community Welfare and Development, Employment / Training and Services to the Disabled, Rural Development and Infrastructure, Sustainable Development/ Livelihoods/ Women Empowerment, Relief Services during Disasters, Education and Training, Environment Protection, Health Care Services, Sports Promotion and Combating HIV/ AIDS.

Most of the broader areas of social concern have been covered by the Indian companies involved in CSR and can be classified based on priority given by various companies.

The priorities of the companies are more with the immediate beneficiaries such as the employees and customers. This is followed by the need for sustainable development, economic welfare and concern for human rights in the community. The least priority is for the general macro level issues like equality and HIV related issues. A perception survey of around 800 respondents mainly executives in the age group of 30 working in the private sector was carried out by Indian Institute of Management in 2001. Around 70 percent of the respondents strongly believed that corporations had a social responsibility and felt CSR costs should be seen as part of operating costs and not any kind of appropriation of profits.

The data shows that the corporate is not addressing the larger issues perceived by the executives. Pollution is perceived as a major issue but only a few corporate is treating it as the priority. The awareness in relation to CSR as far as the employees and the country as a whole was perceived as high. The executives perceived that an in-house proactive measure was necessary for CSR rather than regulations. After Independence, one of the successful corporate enterprises was under the leadership of Jamshedji Tata, the founder of Tata Group of Companies, who is also well recognized as a philanthropist. The TATA group today has taken up a very active role, and includes even social auditing of projects where social responsibility is monitored.

CSR – The Corporate View

There is no independent department for CSR in the corporate structure of Indian Companies. In most of the companies, this is more or less mandatory in nature as far as the internal environment of the company is concerned. Either the job responsibility is shared or more or less it's a supplementary activity of a core manager. As the power delegated upon these managers is also less, the conversion of proposed projects by external agencies into meaningful programmes is less. The pragmatic school of thought leverages on the fact that a 'firm with conscience will be a selling point'. This also matches with the neo managerial principle of customer focus rather than product focus. Good firms and bad firms will be distinguished on the factor that former will actively be responsible ahead of legislations. They recognize that goodwill is a function of not only good product

and good profit but also CSR. These companies have the foresight of understanding the overlapping of citizens and customers. The companies broadly divide their stakeholders into internal such as shareholders and employees and external stakeholders such as the customers and government.

Athriya (2005) of the pragmatic school of thought strongly recommends that loss-making units cannot be involved in CSR as revenue should be the priority. Once a certain CSR reaches certain level, then improving the customer base is sought for increasing the revenue. In addition, there will be significant improvement in the capital market, as indirectly citizens will invest more in companies, which have CSR. An example which can be cited is the TATA group which is recognized as a good firm with CSR during license raj and is still recognized as a socially responsible company in the liberalized markets in comparison to others.

Mahatma Gandhi's vision had incorporated the slogan of Indian sanitation bigger than Indian independence. One of the successful ventures in relation to this is the Sulab Sanitation movement founded by Dr. Bindeswar Pathak who advocates the idea of action sociology. The corporate provided the capital cost and a matching fund in terms of minimum modest amount is taken from the users, which is mainly the masses. This model has worked not only at national level but also at global level.

A standard for measuring, monitoring and evaluating achievement in social responsibility is based on a standard called SA8000 certified by Social Accountability International (SAI) which is an international non-profit human rights organization dedicated to the ethical treatment of workers around the world. SA8000, functions as a highly effective and expedient system for delivering improved social performance to businesses and their supply chain facilities. A number of companies today are endeavouring to achieve certification to that standard. The SA8000 code of practice is broken down into nine key areas namely Child labour, Forced labour, Health and safety, Freedom of association and collective bargaining, Discrimination, Disciplinary practices, Working hours, Compensation, Management systems.

The Golden Peacock awards for CSR were introduced from 2002 and the last awards were given in 2010. The Golden Peacock awards, was instituted by the World Council for Corporate Governance, UK in 2001, to foster competitiveness among businesses worldwide to improve the quality of corporate social responsibility. This is in recognition of sustainable excellence in public and private undertakings among all sectors of industry, commerce, government and semi-government departments and in trade and professional organisations. The four sectors in which the last award was given was the following: **PSU Sector** (Oil and Natural Gas Corporation Ltd), **Private Sector** (Tata Motors Ltd), **Government Sector** (Rail Wheel Factory) **NGO Sector** (Times Foundation) and **Special Commendation** (Samsung India Electronics Ltd).

The companies are loosing out on this issue as investors and customers of the 21st Century have become highly sensitive to societal and environment issues particularly the younger generation. In India only a very few companies are seriously engaged with local civil society groups.

Future of CSR in India

A model proposed by Balasubramaniam (2005) projects Corporate Responsibility development in three stages. The initial stage is a total denial of any responsibility to society, which is followed by probably one of reactive responses to societal demands. The final stage is moving towards proactive engagement and interventions that are socially necessary and welcome. The corresponding action for each stages can be classified as discretionary Philanthropy (Initial Recognition), Stakeholders responsiveness (Reactive Engagement) and leadership on sustainability (Proactive Engagement).

The gap between the rich and the poor has been widened both at the global and national level. In concomitant to this, a lot of attraction has been on wealth management than wealth creation. The wealth management in the globalised economy encompasses the money spent on welfare activities of a company and personnel. Therefore, its not necessarily incentives like tax concessions, which motivate the elites to share their income but the acceptance of the condition that business does not prosper in poverty.

The enlightened self-interest would be more sustainable than an individual self-interest.

The responsibility of government in welfare of the state is a continuous process while the corporate can withdraw at any point pushing the problem over market functions. The success shown by software companies in terms of quality exports has triggered an impact even on older textile industry to follow for rejuvenation. The revenues produced by these exports companies are seen as potential for generating more funds for CSR. The corporate under the leadership of software industry with a class and mass base demanded a strong urgent action on the infrastructure front. The government on the other hand has to deal not only with the policy priorities where urban infrastructure may not be primary but also with the fluctuation in economy by means of natural disasters.

John Elkington, coined the phrase 'triple bottom line' as a framework for measuring business performance, in his 1998 book, *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*. The triple bottom line captures the spectrum of values that organizations must embrace - economic, environmental and social. In practical terms, triple bottom line accounting means expanding the traditional company-reporting framework to take into account not just financial outcomes but also environmental and social performance. The 'triple bottom line' approach is rapidly gaining recognition all over the world. The basic idea is that corporations should manage not just the traditional bottom line (i.e., the financial bottom line), but also their social & environmental "bottom lines," too.

The critics of Triple Bottom Line approach argue that Division of Labour is a major contributor to a society's wealth, leading to the view that organisations contribute most to the welfare of society in all respects when they focus on what they do best. This would contrast with view of eminent sociologist Durkhiem (regarding evolution from Mechanical Solidarity to Organic Solidarity, which is more characteristic of the modern society (Mechanical Solidarity refers to strict division of labour while Organic Solidarity allows cross participation in various labour activities in society)). However the critics make a case that 'triple bottom line' is thought to be harmful as it distract business attention away from its core competency. Similarly, if

NGOs are not allowed to have profitable ventures, then the other way around also should stand true and thereby business should not be expected to take on concerns outside its core expertise.

The CSR becomes challenging in developing countries as the concern for social and environmental matters is rare and when society becomes richer its citizens develop an increasing desire for a clean environment and protected wildlife, and both the willingness and financial ability to contribute to this and to a compassionate society. Some countries adopt a nationalistic approach with priority for own citizens first. This view is not confined to one sector of society, and actively calls for support from elements of business, labor unions, and politicians. In these circumstances, it becomes difficult to have universal policies in matters of CSR as short term goals have to be sacrificed in the name of social and ecological constraints of sustainable development.

However, the balance between corporate responsibility and social responsibility has to be also maintained. Two kinds of social responsibility are differentiated in relation to the nature of activity and the size of the firms. The larger firms can address the macro level problems like creation of job, making appropriate technology, thereby improving the life of Indian citizens. The larger and smaller companies together can work on issues related to health, water sanitation, sports, culture etc. All these companies should have their own policy for CSR. Instead of mere imitation, long-term budgets with specific objectives have to be envisaged. Some of the experts felt at least 1% of the total Budget to be allocated for CSR. Ironically, in the Indian scenario 4% of the budget by tobacco and alcohol companies is contributing to CSR. This revenue is not surprising as these companies want to overcome their product profile without loosing brand equity (Atheriya, 2005).

In the case of companies where it is a single promoter or predominantly major promoter the chances of contribution and the quantity of contribution also will be more. There are companies which contribute even upto 10 % of their revenues for social concern and later scaled down it. Identifying the right NGOs is pointed out as a serious constraint for involving with Social Responsibility. Moreover, follow up is essential for successful sustaining programmes. Rather than

depending upon philanthropic personalities, the initiative should be to create a culture of social concern. The better and bright managers have to be recruited for CSR. The companies usually rotate their executives and managers in various departments or regions to get a feeling of contrasting experience. A total personality can be created only if the employees are exposed to difficult conditions and challenging roles. Similarly, an exposure to CSR also will contribute to the holistic development of employees.

One of the criticisms against companies has been the cheap publicity and brand building carried out as part of CSR. This has to be overlooked as a positive function for promoting CSR by companies as in today's world business news as such being a significant component in media. The space provided in Newspapers, increase in circulation and number of business newspapers, prime time allocated for television channels, exclusively business channels all have tremendously increased the coverage. The citizens voluntarily or involuntarily get a picture of the activities in which a company is involved. Hence, by discounting the advantages for the companies by virtue of CSR, the consequences can be concentrated.

As far as the internal environment of the company is concerned, the concept of personal social responsibility has to be introduced. Irrespective of what the company administers, the individuals should be encouraged to take up initiatives voluntarily on a regular basis. A balance between civil society, government and business has to be reached to fulfill democratic capitalism. The networking between organisation and the corporate involved in CSR is essential as sharing of knowledge and adaptation of successful models will further enhance the quality of life of community in general. It is not the corporates only reaching out towards the community. The community also attempts to enhance the welfare by approaching the companies directly. The network marketing by means of self-help groups with support of government is a concept, which is catching up fast.

Corporate leaders like Anu Agah (CEO, Thermax Group, 2003) feel that the ethical practices followed in the firm/factory and in general in the Industry world would be the best contribution by means of CSR. The concrete example cited is the child labour problems and the menace of bribe given by Industrial groups.

A company should be a responsible member of the society in which it operates. That means contributing to sustainable development by working to improve the quality of life of employees, their families, the local community and stakeholders up and down the supply chain. The companies moving in this direction are following a functional school of thought in relation to CSR. In one way these indigenous initiatives will be able to meet the global demands and standards in business.

Conclusion

A generic definition of CSR is challenging as it is a broad theme covering a range of orientations and activities. The non profit path and accountability of the corporate as active participants in modern societies is manifested through CSR. The closer examination of CSR in India reveals the balance followed by Indian companies due to the active factors like creating more value/equity and by passive factors of government initiatives and reinforcement of modern social norms. The researches carried out reveal that it's not always necessary that the CSR vision and the perception of the executives in a company have to be aligned in terms of welfare goals.

In Indian context, the evolution from a philanthropic approach to the post modern appeals of welfare is gaining visibility. This leads to the postulate that CSR is essential for success even in a capitalistic paradigm as only good citizens can perform the role of good consumers. However the latent and manifest functions of CSR is getting converged as the debate on corporate ethics is gaining ground globally and also at the local level in India. The varied characteristics of the corporate world also should determine the kinds of CSR activities which can be undertaken by respective companies thereby creating a balance between corporate and social responsibility in India.

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Table 1: Priority of CSR Areas for Indian Companies

High	Medium	Low
Ethics	Charitable Contributions	Socio Economic Disparities
Environment	Sustainable Development	Gender Rights
Health and Safety	Human Rights	Employment of Disabled Persons
Compliance with all regulations	Economic Impact	Requirements of International Conventions
Employee Welfare		HIV/AIDS related issues
Customer Relation		
Labour Practices		

Source: CSR Survey 2002, UNDP, CII, British Council and Price Water House Coopers

Table 2: Perception of Indian Corporate Executives on CSR Actions

Problem Issue	Agreeing it is a Problem (%)	Perceived Extent of Corporate Assistance or Support (%)		
		Large	Small	Total
Pollution	77	13	29	42
Roads	75	11	27	38
Power	60	14	30	44
Health	60	20	38	58
Water	59	11	24	35
Security	54	10	28	38
Education	48	22	44	66
Communication	47	29	31	60

Source: Web Based Perception Survey on CSR (2001), Indian Institute of Management Bangalore in *The Hindu Business Line*, June 13, 2005.