

Recent Advancements in CSR: A Journey of Indian Corporate Responsibility Initiatives towards Social Sustenance

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ABSTRACT

“CSR spending by large Corporate and go up to Rs. 14,000 crore, supporting significantly the governments’ social sector initiatives” Arun Jaitley, Finance Minister. Over the last three to four years, it is seen towards India’s large Corporate with profitability of Rs. 500 crore and above, it clearly depicts the potential of about Rs. 14000 crore of CSR activities. This makes significant amount if added to the governments’ initiatives towards social sector. This amount will increase drastically in near future.

The study focuses on main criteria, corporate disclosure, stakeholders and social sustenance mainly towards environmental concerns. Drawing on existing theoretical and empirical literature on the rationale behind Corporate Social Responsibility (CSR), this paper analyses the potential implications of mandated CSR under the recently enacted Companies Act, 2013 in India due to prospects and challenges of implementing mandated CSR. Addressing the challenges of implementation of CSR successfully would determine how far the objectives of the new regulations are met. The paper analyses the potential implications of Section 135 on corporate incentives, the likely responses of corporate, its implications for resource availability and delivery of social goods, and finally the prospects and challenges of implementation of mandated CSR spending under the Company Act Rules. The Concrete step of CSR initiative is to spend money in desired and challenging arenas. After this study, it was found that corporate are mainly spending money in areas of education, water, electricity etc. It is suggested that CSR initiatives should also be increased in areas of environmental conservation and energy saving. This corporate act will definitely helpful to save our planet.

Keywords

Corporate Social Responsibility, governments’ initiatives, Corporate Disclosure, mandated CSR, Potential Implications

Introduction

A robust and thriving development sector is central to India’s quest for equitable, inclusive and sustainable growth. Today’s business faces many challenges in view of fulfilling corporate responsibility. This factor is not only important in anticipating the quality of corporate-community engagement process which deploy in execution of CSR initiatives, but potentially fills the knowledge gap on the ethicality of CSR in developing country like in India. A knowledge that can potentially aid communities to better negotiate and optimize their ‘rights’ towards CSR in more sustainable way. Moon and Matten (2008) comment that CSR is the central notion that encompasses the social needs surrounding business success. Social sustenance is entwined with corporate culture that requires maximizing profits. As corporate now-a-days being judged on their social output and not just value, they provide to their shareholders. The business sustainability approach as a whole, of which corporate are an integral part.....serve the needs of society to the satisfaction of society. Explicit CSR

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is termed as corporate activities that assume responsibility for the interest of society. Corporate Social Responsibility (CSR) remains difficult to define, despite a growing scholarly interest in this crux arena. Jones (1980) conceives it as “the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law.” Despite the conceptual nuances, some common meaning is acknowledged in the definition of CSR (Moon, 2002; Van Marrewijk, 2003). These emphasize the ‘beyond legal compliance,’ ‘voluntariness,’ ‘development’ and ‘stakeholder’ constructs of CSR definition. In view of its comprehensiveness, applicability to private and public sector organization, and suitability for conceptualizing, organizations operate functional CSR in context of sustainable development. This study defines CSR as the role, which an organization performs for the benefits of its perceived stakeholders, usually on moral base, and beyond legal requirements, which do not necessarily contribute to the attainment of short-term organizational goals. CSR recognizes one more definition “the responsibility of an organization for their impacts on society.” To completely meet their social responsibility, organizations should have a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.

Research design, Sampling, Data Collection and Analysis

Based on a pragmatic research philosophy, the study is designed as an eclectic illustrative study. It employed a mixed method, comprising quantitative and qualitative data collection and analytical strategies. It also improves the degree of external venerability of conclusions drawn. The collection of primary data was preceded by the collection and analysis of secondary data. This depicted the kinds and amounts of primary data gathered. Using semi-structured questionnaire and interview guides, corporate officials were interviewed.

CSR Laws

India has mandates CSR spending by company law recently. Under Clause 135 of the Companies, bill 2012 needs targeted Companies to spend a prescribed amount on CSR for the applicable for fiscal year as activities specified under schedule VII of the act and to report on the same. The 2% requirement of CSR expenditure is a nudge from the Indian government to corporate India to do better for societal sustenance. Indian corporate sector have an opportunity to begin switching gears on their business strategy in view of integrating business sustainability. The Indian companies have responded positively to the reform in the field of CSR for social sustainability. Building a society which provides equal access to opportunities negates disparities and is a collective responsibility. This amendment in act presents an opportunity to stand up the challenge. Balance between ruthless industrial growth and welfare of society is on cross roads of nation. India emerges as an example of country of uneven distribution of the growth benefits. It is the root cause of social unrest. Companies’ can play vital role to curb this uneven development.

According to Indian Institute of Corporate Affairs, a minimum of 6000 Indian companies will be needed to undertake CSR projects in order to comply with the provision of the companies Act 2013. It is estimated that CSR commitments from companies can amount to as much as 20,000 crore INR. This unique combination of mandatory regulations and societal pressure is pursuing companies to become more sensitive towards societal growth issues specially environmental protection. The minister of corporate officers in June 2011, issued guidelines of CSR to compliance for social, environmental and economic responsibility. The UN global compact, a widely used sustainability framework has to principles covering social, environmental, human rights and governance issues and what is described as CSR is implicit rather that explicit in these principles.

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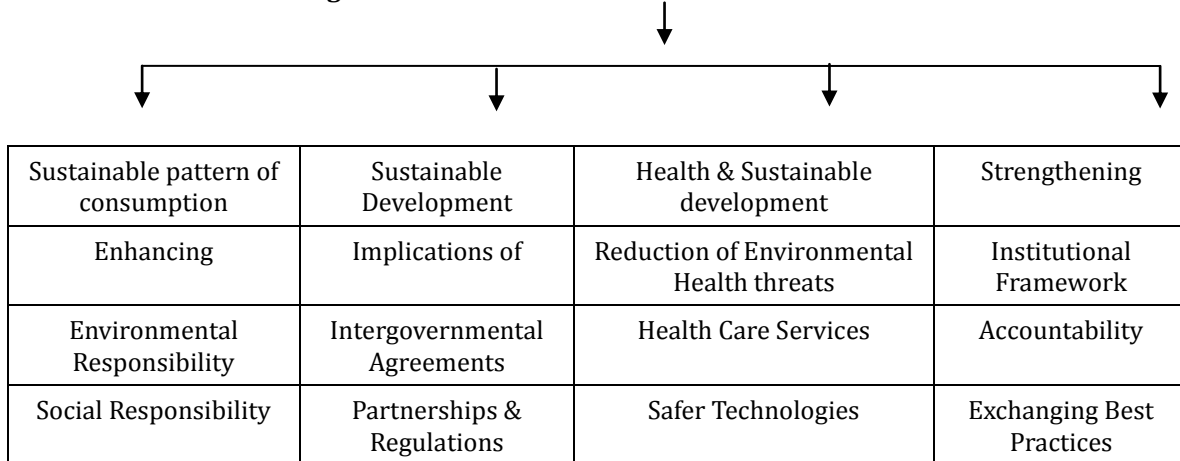
Historical Preview

Historically, CSR was perceived as philanthropy in India. However, since the late nineties, CSR activities have increasingly come under the lens both of policy makers as well as of corporations' stakeholders, as governance issues acquired increasing prominence. At the policy level, the formal focus on CSR initiated in India with the issuance of the Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs that culminated in the enactment of Section 135 of the Companies Act 2013 making CSR spending as well. India became the first country, to have made CSR activity mandatory for large and profitable companies incorporated into law. In all other countries, CSR efforts by corporations have been kept largely voluntary, with only a select number of countries mandating corporations to disclose such activities. As a "historical opportunity" that could be a "game changer" for India, where corporate would work with the government and civil society to bring about "national regeneration" through sustainable development.

CSR and Social Sustenance

Sustainable development within business promotion is expanding rapidly in several directions. Some interpret corporate responsibility to mean what companies should do above the call of law. The scope of CSR differs as per conditions of each country. It includes social, ethical, environmental, governance, health and other issues. It is a great challenge for business community. Corporate sustainability essentially refer to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. The World Summit on Sustainable Development in Johannesburg in 2000, the 'United Nation' developed ' Millennium Development Goals' with the implications for environmental and health issues. CSR can be divided among following four parts.....

Figure 01: CORPORATE SOCIAL RESPONSIBILITY



Criticisms of CSR.....

Perhaps the most popular critic of CSR is Friedman, who argued that CSR could weaken the girdle of freedom, since "the only social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" (Friedman, 1970).After that, Thomas Mulligan (Aug 1986) criticized to 'Friedman Theory' by stating that Friedman failed to prove the exercise of social responsibility in business is by nature, an unfair

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and socialist practice. Much of Friedman's case is based on a questionable paradigm; a key premise is false; and logical cogency is sometimes missing. Mulligan proposes a different paradigm for socially responsible action in business and argues that a commitment to social responsibility can be an integral element in strategic and operational business management without producing any of the objectionable results claimed by Friedman. Lantos (2002) appear more accommodating of CSR, provided firms “act strategically” (Lantos, 2002). By this, Lantos (2002) envisioned an exclusively instrumental CSR, when he delineated *strategic* CSR from *altruistic* CSR. He averred that the former is not a legitimate role of publicly-owned businesses and it is immoral on the grounds that such CSR.

Drivers for CSR Involvement

Motivations for adopting CSR policies have been, and continue to be interrogated in the CSR discourse. The forces that incentivize corporations to adopt CSR include civil society's increased focus on human rights (Govindan et al., 2014), community concerns for social justice (Gardiner et al., 2003) as well as the rise of global communications, and the emergence of regulation through standardization of social performance expectations (Govindan et al., 2014). Pressure from shareholder activists, lenders and financial institutions' initiatives and governance gaps (Matten & Moon 2008) have also contributed to driving the CSR agenda at the global level.

It is obvious that despite varying degrees of objection to CSR (e.g. Friedman, 1970; Lantos, 2001), there are many drivers of CSR (Muthuri, 2007), even if most of these are instrumental and represent the business case for CSR (WBCSD, 2002). According to Kurucz et al. (2008), these constitute a proposition for value creation in the general areas of cost and risk reduction, profit maximization and competitive advantage, reputation and legitimacy, and synergistic value creation. This will typically rest on one or a combination of the following: human resources management, brand differentiation, license to operate and diverting attention from corporate complicities in unethical behaviors (WBCSD, 2002).

Environmental Concerns

Yale and Columbia University in its recently published Environmental Performance Index (EPI) 2016 has ranked India at 144th place among 180 countries with overall score of 53.58. Ranking of India (2016) is 20% improvement in various parameters in last 10 years specially in sanitation and waste water treatment but the deteriorated air quality due to emission from power plants, industries, fossil fuel burning etc., which has placed India at almost bottom is quite deploring and call for urgent and concentrated efforts to improve it. The Corporate need to expand their ongoing endeavors in these directions. True CSR involves an allocation of corporate wealth towards social sustenance. CSR in the context of environment and health is meant true CSR. “Business is a primary participant in destroying the world, and if business continues as they are going, there is not going to be a different pressure wildlife preserve. Wilderness or indigenous culture left. (Howken 1993) Companies are responsible for the future of the world. They have to address social environmental issues that affect humankind. Globalization of the world implicates the idea of global corporate citizenship in globally constituted civil society. Companies have to disclose information in view of toxic release inventory. Environmental contracts are strategies that may help to improve CSR. Companies can have to partnerships with NGO's and government. Then, practical solutions of drastic environmental

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problems may arise. Recently, companies are developing environmental worker and community codes for business reason. 'Environmental Responsible Care Mission' is dire need of global arena. Hence, it can be firmly stated that green initiatives of CSR has more prominent role in sustaining societal growth of planet.

Results

It also identified constrained profit-maximization as the CSR strategy from which their CSR policies emanated. The Analysis of study helps to derive vital implications in relation to culturally embedded logics shaping CSR in developing country like India. As per Ministry of Corporate Affairs, during 2014-15, a total of 6338 crore rupees were spent on CSR activities by 51 Public Sector Undertakings and 409 Private companies. As per report of Ernst & Young, the mandate of spending 2% of average profits of the past three years on CSR activities may cover around 8000 companies under its ambit and bring approximately Rs. 14000 to 15000 crore per annum for various CSR activities. The expectations from this policy change are likely to offer new windows of opportunities both for the Corporate and government, not only to supplement the ongoing programmes of government for its various social, economic and environmental interventions, but also to provide opportunities for new innovations to Corporate, while addressing various challenges to achieve equitable and sustainable economic development, thereby ensuring maximum possible contribution from business.

Limitations of the Study

Interviews were mostly conducted in the purview of local corporate, while the interview protocols were prepared in English. This meant the accuracy of respondent understanding stood the risk of being compromised. The researcher also conducted all in-depth interviews; and ensured that immediate feedbacks of summaries were given to participants to ascertain the accuracy of information captured. Further, the use of interview and discussion guides made the work prone to weaknesses commonly associated with subjectivity.

Low questionnaire return rates are common, especially from busy corporate executives, threatened to reduce the quality and quantity of data. To limit these potential drawbacks, the researcher personally delivered, conducted and collected the questionnaires. Efforts were also made to discover the cultural 'ways and means' of target organizations (especially local companies) so as to be effective in negotiating access to information sources.

CSR is still considered as an emerging field of knowledge. In analyzing data gathered by means of qualitative interviews, there is the danger of imposing a theoretical framework on the data which may be culturally inappropriate. The multi-stakeholder approach adopted by this study, despite its few drawbacks, was considered appropriate for the Indian social context, where social norms encourage altruistic communalism.

Conclusions

These main conclusions can be drawn from this study. The strongest drivers of CSR among large-scale Indian companies have their need to procure, protect and promote company reputation; the desire to pre-empt stiffer recent government regulation; and the encouragement of pre-existing of development plans for society sustenance. Strong drivers are related to expectations and agitations

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of various internal and external stakeholders; fear of government policies; and corporate suppression. Beside their, heightened sense of moral obligation arises towards various stakeholders. Finally, pragmatic Common-Sense morality underpins the CSR strategies of Indian corporate sector. Unlike the egoistic self-interest commonly associated with business entities, the common sense philosophy is a deontological philosophy from which a demanding economic strategy of constrained profit-maximization emerges. Recent development is that many of the corporate groups are now accommodating their initiatives related to conservation, protection and amelioration of environment from overexploitation of resources in their CSR action plan and all such activities can be clubbed under morally driven initiatives Green Initiatives in way of 'Environmental CSR'.

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