

Corporate Social Responsibility Practices in Private Sector Firms in India

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Abstract

The practices of Corporate Social Responsibility have achieved novel-significant and in the decision making process of any corporation has become crucial. More and more importance is gained by the issues of the social and economic environment related to social sustainability and responsibility. In the Private Sector Company's strategic decision making, significant role is played by the growing importance CSR. In this paper, the practices framework in India of Corporate Social Responsibility has been explained and also the CSR practices of private sector in India has been analyzed and found that In the field of CSR, they are doing great.

Keywords: Corporate Social Responsibility, Private Sector

Introduction

I. INTRODUCTION

India right from its past has been working for societal and charitable causes for gaining benefits in their business for development of nation. CSR basically refers to policies and activities of the organization that takes into consideration several types of shareholders and the factors of CSR-environmental, economic, and social performance. Under the provisions of section 198 of the Act, a company is supposed to spend 2 per cent of its average net profit made during the preceding three years on CSR activities if the net worth is of Rs 500 crore or more, turnover/revenue of Rs 1,000 crore or more, or net profit of Rs 5 crore or more in any of those years.

In present time, the meaning of CSR is no more constrained about doing philanthropic activities. Sourabh Sanyal stated, "CSR has become responsibilities that should be performed throughout the year "The name of the brand relies not only on uniqueness, quality and price but also on how with the workforce, environment, community of the company we cumulatively interact. The measures of corporate responsibility should be challenged by keeping in mind the three "Ps"-people, planet, and profit. As per Friedman (2006), There is solely one social responsibility of the organization that is to use the resources it has and to engage in activities that are designed in such a way that it will benefit in increasing profits as long as it stays within the game rules, which can be said to be engaged in free

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and open competition without being indulged in fraud or deception". CSR Refers to conducting business in such a way which dissuades the purpose of making maximum profit towards being a socially responsible citizen. CSR integrated objectives - social, economic and environmental are used by corporates. European Union gave a very rich opinion, " The concept of CSR is that when a organization is accountable for its impact on all its relevant shareholders. It is the constant commitment of the organization to behave in a responsible and fair way, and to contribute towards economic development while keeping in mind that it also has to improve the quality of life of the workforce including their families also of the local community and society at large ".

Businesses these days are looking forward to incorporate the concept of CSR in their practitioners as per - (Engle, 2007). CSR is the continues commitment of a business to behave fairly and responsibly and to contribute towards economic development by enhancing the quality of life of the work-force including their families also of the local community and society at large. As per the researchers conducted laid emphasis on CSR with respect to all perspective of the goals of the organization.

Investigation done by Deegan (2002), that organization takes into consideration impact of environment and social as important as its daily operations. As per Hoi et al., (2013) as a chief factor for the survival of business. Mihaljevic, Marija, Tokic, Ivana (2015), explained that Carroll's pyramid of CSR model in all corporate organizations is not applicable. Any model implemented should cover the objectives of the business, responsibilities of the corporate to perform the activities in a socially responsible way. Most of the economic responsibilities of the organization are considered to be legal, philanthropic and ethical responsibilities ".

CSR as defined by Kotler and Lee (2009) that it increases sale and market share of any private organization thus by strengthening the brand image's position and influencing the possibility of motivating, attracting and keep hold of employees and decrease in cost of operations. A model on CSR was proposed by Herman Aguinis, Ante Glavas (2017) that from CSR. All individuals can benefit if people are placed and find meaningfulness in their traditional job. As per. Michael Hopkins, "CSR is apprehensive about the firm's stakeholders in a responsibly or ethical way, that is to treat stakeholders in a way considered to be acceptable in cultured societies. The purpose of CSR is to higher and higher living standards, while preserving the corporation's profitability for people who are either associated or not associated with the organization " Indicators of companies Social Accountability (SA) 8000, ISO 9001, ISO 14001 and agreements on promoting Standards of CSR. This feature of CSR cannot be ignored as it may motivate the interests of directors and managers. Crifo and Forget (2015) stated that employees and managers who are motivated accept their salaries lower than the equilibrium market value, as the non-monetary compensation of their companies benefits them.

A. Research Objectives

The research has been conducted to study the practices of CSR in private sector firms located in India.

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II. CORPORATE SOCIAL RESPONSIBILITY (CSR) - A CONCEPT

A comprehensive set of practices, programmes, policies that are incorporated into operations of the business and also in the processes of decision making, supply chains throughout the organization is known as CSR. Various concerns of the society such as commercial, legal, ethical that are associated with the practices of the business and brings equilibrium in between the society's expectations and profit motive of businesses. The chief purpose of effective CSR is to accomplish commercial success in such a way that it honors ethical values and shows respect towards the natural environment. Thus, it comprises of corporate citizenship, business ethics, sustainability and corporate responsibility and corporate accountability. According to European Commission and United Nations, to 'triple bottom line' - fight for social justice, protection of the environment and profits are lead by CSR as per Mathurand Midha, (2012). As per World Business Council for sustainable development that CSR refers to the continued commitment of the business to behave in a ethically way and to contribute towards economic development while enhancing the life quality of work-force including their families also of the society and local community at large." as per Garg, (2014). Certainly, it is a form of organization self-regulation incorporated in the model of business. As an inbuilt self-regulating mechanism It functions thereby monitored by businesses to make sure that it is actively compiled with the spirit of law as per Garg, (2014). The purpose of CSR is to embrace the responsibility for the actions of the company and to inspire a positive affect via its activities on communities and environment as per Garg, (2014). It is an accumulation of public interest with that of private profit. Canadian Centre for Philanthropy commented and stated that CSR is basically a set of practices of the management to make sure that the negative impact of the company's operations is minimized while maximizing its positive impact on society according to Garg, (2014) The views are reaffirmed by CSR that business in a society is an integral part and plays a crucial role in improvement and sustenance. CSR is not just about philanthropic activities but also in the domain of welfare approach voluntary intervention. Thus by doing so CSR focuses on attracting socially responsible such as providing public good in conjunction with the strategies of the business as per Uvaisand Cholasseri, (2013). Therefore, in order to provide sustainable competitive advantage to firm, strategies of CSR can be used. According to (Uvais and Cholasseri 2013), that the CSR self-serving behavior on the part of managers is indicative, which comprises of the ethical, economical, legal and discretionary expectations that on the organization the society has at a specific point of time as per Gautama and Singh, (2010). The term 'CSR reporting' has been used by Bebbington which in between reporting function and organizational function establishes a link according to Gautam and Singh (2010).

III. RATIONALE FOR CSR ACTIVITIES

Orientation of profit and association of the organization with the social indicators are the two aspects of every organization. The motive of the business can be infinite only when towards welfare of the society it funds it shares. The community's inclusive growth has the ability to increase the client base for a specific organization. The organization's inclusive growth very much depends on the community's satisfaction it has with the client - base. There are numerous dimensions of adversity

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that a society has that ranges from socio-cultural to economic disruptions. Over the community The sudden encroachment of an external Factor might lead to its destruction. Thus, the active involvement of the business houses already existing may from both external encroachments and internal economic aggression safeguard the interests of the society. Harmony between profit motives and social welfare can be created if the local people actively participate in the welfare programmes that are initiated by these private organizations. The rationale for CSR is broadly based on a philosophy that is common that states that the social responsibility of an organization arises from the fact that several benefits from the society are derived from business enterprise which requires that the enterprise equally provides benefits to the society. In recent times, consumers are not likely to be impressed just by being satisfied with the product but they also expect the product to exhibit socially-responsible behavior. Thus, a significant role is played by CSR In justifying the motives of the business other than contributing to the welfare of the society. Depending on the nature of the enterprise, The scale and nature of the benefits of CSR for an organization can vary. CSR is supposed to assist an organization in its mission and also guide the company standards and its will to uphold its customers as per Garg, (2013). The strategy of bench marking to compete within their respective industries In implementation and effectiveness of CSR policies is used by many companies as per Garg, (2013). (Garg, 2013) also mentioned Companies can even try to involve their employees in community volunteering work. More significantly in this era of growing emphasis on transparency and widespread communication the reputation of the organization is supposed to be prospered by employees and clients on basis of social and ethical inclination. Thus the activities of CSR support the organization in expanding its client base. The business of private or public organization may improve and also lead to good public image. Consumers become attracted towards the organization when they are aware about the social impact the private organization has on the society. CSR activities are also operated by many potential clients so they also expect that the some sort of developmental activities should be performed by their suppliers. From the risks of social mistrust, an organization is insulated by implementing programmes of CSR.

IV. CONSTITUTIONAL STATUS OF CSR IN INDIA

In the arena of growth of CSR, TheCompaniesAct, 2013 is an historic milestone. An opportunity to socialize business operations of corporate sector is provided by CSR. Several provisions have been introduced by The2013Act that might change the way Indian corporate operate business, spending on CSR activities is on such provision. Now CSR has been included in law apart from being a voluntary contribution by corporate at large. As Per the Section135 of this Act – during any financial year each company that has a net worthof₹50millionormore, revenue/turnover of ₹100 million or more or has a net worth of ₹50 million or more is supposed to establish one full-fledged board of CSR. In the CSR committee there has to be at least three directors. According to the schedule VII of the Act, activities of intervention under the project CSR are empowering women, environment sustainability, promoting education, gender equality, reduction of poverty and eradication of hunger, projects on social business, reducing child – mortality improving health of both children and women, teaching vocational skills, contributing in the funds of state and central government for socio-economic relief

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and development etc.

V. GROWTH OF CSR IN INDIA

Since a long time CSR has been prevailing in India. Earlier, it was referred to as “charity” or “daan”. During the rule of Guptas (320 to 550 CE), for the welfare of the common people the king used to donate a major chunk of treasury thus the philanthropy was its peak. Ethical principles while doing business, was preached and promoted by philosophers such as Kautilya from India and pre-Christian era philosophers from the West. Also, during the Mughal period especially during the reign of Akbar, the concept of philanthropy gained immense recognition. Also during the British period this scenario continued. The pre-industrialization period which lasted till 1850, a large part of the wealthy merchants used to share such as by constructing temples for religious cause as per Garg, (2014). This concept of philanthropy, was transformed at the beginning of 19th century and industrialists were encouraged to empower communities through various capacity building programs. The 19th century, industrial families were inclined towards doing charity and other social works. Tata, Birla, Godrej and Singhania industries are prominent business houses of India who have transformed the way we used to view philanthropy. Gandhi ji’s views of Trusteeship influenced these entrepreneurs the attention was turned towards constructing knowledge-capital in the country. He viewed capital ownership as one trusteeship, driven by the belief that society essentially provides capitalists with opportunities to handle resources that in general can be viewed as a form of trusteeship on behalf of the society. Thus, for developing indigenous human resources and to incline their clients towards up gradation of their status in the society, a major chunk of the profit was utilized. The scope of CSR broadened after independence of our country and saw participation of even public sector undertakings. As the prime mover of development the public sector was seen. As early as 1970s, the nomenclature of CSR got into existence in India. A national workshop on CSR that focused on reconciliation was set up by Indian politicians, businesspersons, academicians in 1965. As per Garg, (2014), they laid emphasis on social accountability, transparency and regular stakeholder dialogues. Further, in India the emergence of liberalization policy led to relaxation in -factories Act and also licensing policy thus encouraged both the private and public sector to undertake the activities of CSR at large. Indian companies grew rapidly because of the increased growth momentum of the economy therefore made them keen towards contributing for social causes as per Garg, (2014). These days the key purpose of CSR is to maximize overall impact of the company on the stakeholders and on the society as a whole. CSR policies, practice and programs are being incorporated in many companies throughout their business operations by Garg, (2014). For instance, corporations such as Hindustan Unilever Limited (HUL), Bharat Petroleum Corporation Limited (BPCL), and Maruti Suzuki India Limited have adopted a more comprehensive development method as per Garg, (2014). These corporations focus on, providing facilities such as improved medical and sanitation facilities, empowering the villagers, constructing houses and schools and in the process by providing vocational training and knowledge on business operations thus by making more self-reliant by Garg, (2014). India approximately has 200,000 private sector foundations and trusts, a large number of them are established by Indian business houses and towards social causes of vindicating social evils they are working. The goals,

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strategies and policies of CSR programs are devised and also budgets are allotted for the activities by the CSR team members of the company. In many cases These programs are based on a clearly defined social philosophy or are closely associated with the “business expertise” of the companies.

VI. Challenges of CSR in India

In spite of several benefits CSR offers, in INDIA in the form of challenges it has suffered from various obstacles. As Jonker and de Witte, (2006) stated CSR is not just about lessening the negative impacts of the activities of the companies but also about assisting them in the meaningful ways they can take part in a society. In India, as weapon for social activities it is seen. Some academicians have argued that government sways away from their responsibilities of looking after the activities of these powerful business houses. They further argued that these initiatives of CSR undertaken leads to deviation from the basic roles of the business. Using the competences and capabilities of the company to address the environmental and social issues whereas at the same time in the traditional business sense continuing to operate successfully is the main challenge as per (Jonkerandde Witte, 2006). Thus various point of view the practices of CSR have been judged. The activities of CSR are opposed by one part of the society whereas the other supports its growth. Lack of budget allocation is the biggest issue followed by lack of awareness among the people towards its true nomenclature is the challenges CSR faces In India. Enough interest towards activities of CSR is not taken by small enterprises thus fails to promote the same. Thus, few of the significant challenges that CSR faces are mentioned -

Absence of Inclination of Community towards CSR Activities

The community towards CSR initiatives of enterprises is lethargic thus leading to its slow growth. As the society at large is still not aware about the CSR activities. So, to spread awareness about CSR within the local communities little efforts have been taken and to encourage people regarding the same as per Gupta, (2014). The communication gap in between the corporation and the local communities has led to break in continuity of existence. People from the grassroots level are still not aware about the imminent benefits of the programs of CSR, which further either at the planning or execution stages discourages the involvement.

Lack of Skill in Execution of CSR

CSR can be successfully implemented if the management is efficient. But unfortunately, lack of skills among the workers of the organization leads to in-effective management of CSR. Communities can access the unequal benefits of CSR because of this initiative. The scarcity of managerial and technical capabilities of the employees from various corporate sector leads to faulty expansion of projects of CSR in the community.

Absence of Transparency and Accountability

Unequal distribution of the benefits of CSR among the masses happens when there is lack of

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transparency among manager of CSR projects. This supposed lack of transparency has a negative effect on the procedure of trust –building in between companies and local communities. this is pivotal in the success of any initiative of CSR as per Gupta, (2014). Gupta, (2014) stated that they do not take sufficient efforts to disclose about their programs, impact assessment, utilization of funds, audit issues.

Non-consensual Existence of Local Agencies in CSR Projects

One of the major reason of its failure is the lack of awareness among the local agencies over implementation of the projects of CSR. As a consequence leads to unhealthy competitiveness among the local – organizations and restricts their abilities to partake the initiatives impact assessment from time to time as per Gupta, (2014). Due to lack of awareness quite often leads to duplication of activities by these corporate houses in their arenas of interventions.

Lack of Consultation Process

Paucity of consultation process is One of the major challenges of CSR. With the grass-roots level agencies the organizations have very less interaction While implementing CSR projects. It Performs more on top-down approach where vertical functions are authorized to upper authority. Thus, a huge paucity of wide consultation among worker as well as on its subjects CSR has been affected.

Lack of Dissemination of Progress of CSR

In the arena of CSR, regarding progress of CSR there has been very less propagation of information. Even though many works still continue it, over the society its impact are still not projected. Within the close boundaries of the concerned organization., the presentation of the progress of CSR is done. The community already existing is still not aware about the potential benefits as well as further expansion of CSR.

Absence of Regulatory Framework of CSR

Until Company's bill'2012 was passed in2013 in India the practice of CSR had been unregulated. For regulating the CSR framework in India, There were no statutory guidelines. Regulatory mechanism for governing the expansion of CSR projects is still not prevalent in India. Though certain financial limit has been allotted for spending on CSR has been prescribed in the Company's Act yet in many companies due to lack of a governing body on CSR leads to unregulated allocation on projects of CSR.

Narrow Perception about CSR

The Initiatives of CSR Is quite often defined as donor-driven Non-governmental organizations(NGOs)and Government agencies. As a consequence, corporates find it difficult to decide whether they should partake In such activities at all in the medium and in the long run. Not till recently, yet in the interface between “business” and “society” as “philanthropy” Corporate Social

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Responsibility(CSR)was manifested. 'philanthropy' has evolved more into "business strategy" as more successive changes in the societal and business environment occurred and among the stakeholders for a better understanding as per Gupta, (2014).

Unilateral Decision-making

In India implementation of CSR has been arbitrary in nature-wise. within the closed boundary of financial incumbents of the respective companies without involving community-based stakeholders of the project major decisions that are related to CSR are taken. Thus, on the lines of profit and loss the expected deliverables of CSR is judged instead of the affect it has on the society. Further, towards an uni-dimensional growth this process leads to. Issues that are similar In nature every day overlapping with current demand of community is constantly being addressed. Before community, process of decision-making results in to perception of CSR.

VII. REVIEW OF LITERATURE

The relationship between performance of CSR and financial distress was testified by [23]. The life-cycle progression acts as a moderating role. In this study, Australian firms were publicly listed for the year 2007-2013 was examined. In the life-cycle of firms The CSR activities are in the mature stage with regard to financial-distress.

Using two quasi-natural experiments [20] investigated how institutional ownership impacts positive CSR. The mechanism "voice" has been used to increase the proposals of shareholders on effect of SRI on the movements of CSR.

On real estate investment trusts in Australia real estate the impact of CSR with the financial factors were studied by [21]. Models like cross-sectional multi-factor have been used to examine the factors. separate pricing of these CSR factors in A-REIT performance over (2005-2010) were identified using it. Corporate, social and environmental governance are the three factors of CSR. In the findings it was suggested that the factor that majorly influences real estate investments is corporate governance.

The relationship between distinct types of CSR and firm-level performance was examined by [20]data from 5000 firms from Vietnam during the period (2011–2014) was collected for the firm-level panel. The engagement of (smaller) domestic firms in local community drives the positive productivity effect.

The CSR performance of top three FMCG companies like Tata tea, Dabur corporate and Hindustan unilever using karma yog ratings and information that is available on their websites of these companies was discussed by [18].

VIII. CONCLUSION

There is a need to develop and adopt models which are based on an integrated thinking such as

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sustainable, unique, and scalable along with the charity and philanthropy and developmental challenges. With the global developmental agendas, moved towards shared value, so that CSR count can be enhanced there is needed to align these models. In the strategy of corporate, the corporate sector needs to embed CSR. Reporting Activities of CSR should be taken as learning rather than a responsibility that will help to view the look at the processes with a different perspective thus will further serve as a scorecard towards continuous improvement and development. Thus we can conclude that CSR plays the role as a vehicle in which towards the society companies return some good social value. Identifying priorities of CSR to serve In the arenas of invention that are meaningful with respect to development of the society is the biggest challenge of the companies. India's social development can move on a faster track of effective corporate, NGOs and the government come forward and work together.

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