



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

**Dr. Ramesh. R**

**Asst. Prof. of Law**

Vidyodaya Law College, Tumakuru, Karnataka, India.

### Abstract

CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. However the phases are not static and the features of each phase may overlap other phases. Under the new Companies Act, CSR will become mandatory for companies with profit of Rs 5 crore and more. Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process.

**Keywords:** CSR, evolution of CSR, implementation of CSR.

The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers. In India entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom,

which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development.

The idea of CSR first came up in 1953 when it became an academic topic in HR Bowen's "Social Responsibilities of the Business". Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition.

Within the world of business, the main "responsibility" for corporations has historically been to make money and increase shareholder value. In other words, corporate financial responsibility has been the sole bottom line driving force. However, in the last decade, a movement defining broader corporate responsibilities- for the environment, for local communities for working conditions, and for ethical practices- has gathered momentum and taken hold. This new driving force is known as corporate social responsibility (CSR). CSR is oftentimes also described as the corporate "triple bottom line"- the totality of corporation's financial, social, and environmental performance in conducting its business.

While there is no universal definition of corporate social responsibility, it generally refers to transparent business practice that are based on ethical values, compliance with legal requirements, and respect for people, communities and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. "people" constitute the company's stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CSR is alternatively referred to as "corporate citizenship," which essentially means that a company should be a "good neighbor" with its host community.

Toady, more companies are realizing that in order to stay productive, competitive, and relevant in a rapidly changing business world, they have to become socially responsible. In the last decade, globalization has blurred national borders, and technology has accelerated time and masked distance. Given this sea change in the corporate environment, companies want to increase their ability to manage their profits and risks, and to protect the reputation of their brands. Because of globalization, there is also fierce competition for skilled employees, investors, and consumer loyalty. How a company relates with its workers, its host communities, and the marketplace can greatly contribute to the sustainability of its business success.

### **Evolution of corporate social responsibility in India:**

In August 2013, the Indian parliament passed the Indian companies Act, 2013 (the "New Act"), which has replaced the companies Act of 1956. The New Act has made far-reaching changes affecting company formation, administration and governance, and it has increased shareholder control over board decisions. The New Act is being implemented in stages, and we have been monitoring its progression.

Corporate social responsibility: One of the New Act's most startling changes- which came into effect on April 1, 2014- has been to impose compulsory corporate social responsibility obligations (CSR) upon Indian companies and foreign companies operating in India. These obligations mainly come in the form of mandatory amounts companies must contribute to remediating social problems. This is a wholly new requirement; although companies were permitted, within certain limits, to make charitable contributions in the past, the new act is essentially a self-administered tax. The Indian Ministry of corporate affairs recently has published or "notified," detailed rules implementing the CSR requirements.

Entities Covered by the CSR Obligations:

The threshold coverage levels for CSR are Low. Companies are subject to the CSR requirements if they have, for any financial year:

A net worth of at least Rs. 5 billion (approximately U.S. 80 million);

A turnover of at least Rs. 10 billion (approximately U.S. 160 million); or

Net profits of at least Rs. 50 million (approximately U.S. 800,000)

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities, or prepare to explain why they didn't.

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

### **Clause 135 of Companies Act, 2013**

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

In India, the concept of CSR is governed by clause 135 of the companies Act, 2013, which was passed by both houses of the parliament, and had received the assent of the president of india on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1000 crore INR AND MORE , OR A NET WORTH OF 500 CRORE in AND MORE, OR A NET PROFIT OF FIVE CRORE in and more. The new rules, which will be applicable from the fiscal year 2014-2015 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend atleast 2% of their average net profit in the previous three years on CSR activities.

The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under schedule VII of the Act.

The draft rules (as of September 2013) provide a number of clarifications and while these are awaiting public comment before notification, some the highlights are as follows:

- Surplus arising out of CSR activities will have to be reinvested into CSR initiatives, and this will be over and above the 2% figure,
- He companies can implement its CSR activities through the following methods:
  - Directly on its own,
  - Through its own non-profit foundation set-up so as to facilitate this initiatives,
  - Through independently registered non-profit organizations that have a record of at least three years in similar such related activities, and
  - Collaborating or pooling their resources with other companies.
- Only CSR activites undertaken in india will be taken into consideration,
- A format for the board report on CSR has been provided which includes amongst others, activity-wise, resons for spends under 2% of the average net profits of the previous three years and a responsibility statement that the CSR policy, implementation and monitoring process is in compliance with the CSR objectives, in letter and in spirit. This has to be signed by either the CEO, or the MD or a director of the company, Under the companies Act, 2013, any company having a network of rupees 500 crore or more or a turnover of rupees 1000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. [9] The rules came into effect from 1 April 2014.

### **The Four Phases of CSR Development in India**

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

### **The First Phase**

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However, it has been observed that their efforts towards social as well as industrial development were not only but also the driven by selfless and religious motives but also influenced by caste groups and political objectives.

### **The Second Phase**

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlights his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

### **The Third Phase**

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues.

In spite of such attempts the CSR failed to catch steam.

### **The fourth phase:**

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to economy the signs of which are very evident today . increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing {gajare, R.S. (2014). A conceptual study of CSR development in india. In d.b. patil and d.d. bhakkad, redefining management practices and marketing in modern age dhule, india: Atharva Publications (P. 152-154)} and able to contribute towards social cause. Globalization has transformed india into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labour and environmental standards in the developing countries, Indian companies which export and produce goods for the development world need to pay a close attention to compliance with the international standards.

### **Current State of CSR in India:**

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company,s overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by Social philosophies which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living. Also, Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

### **Conclusion**

Today, more and more companies are realizing that in order to stay productive, competitive, and relevant in a rapidly changing business world, they have to become socially responsible. In the last decade, globalization has blurred national borders, and technology has accelerated time and masked distance. Given this sea change in the corporate environment, companies want to increase their ability to manage their profits and risk, and to protect the reputation of their brands. Because of globalization, there is also fierce competition for skilled employees, investors, and consumer loyalty. How a company relates with its workers, its host communities, and the marketplace can greatly contribute to the sustainability of its business success.

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe.

As we can see, CSR is a broad subject which leads to a variety of opinions and be considered in a number of different ways.

Corporates around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. Sustainability refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (van Marrewijk & Verre, 2003).

The fundamentals of CSR rest on the fact that only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challengers and issues looked after to a certain extent by the states.

## Refernces

1. "Camden Community Empowerment Network". Camden Community Empowerment Network Jargon Buster. Retrieved 2013-11-19.
2. "Definition of CSR". Retrieved September 4, 2014. "Environmental Leader". Top Sustainability Consultants
3. "Great Forest". Services. 2013. Retrieved 2013-11-19.
4. "News Articles and Press & media releases - SAICA | The South African Institute of Chartered Accountants". SAICA. 2010-03-01. Retrieved 2013-04-22.
5. Advantage". *Journal of Management* 17: 99. doi:10.1177/014920639101700108.
6. Andreas Wieland and Robert B. Handfield (2013): The Socially Responsible Supply Chain: An Imperative for Global Corporations. *Supply Chain Management Review*, Vol. 17, No. 5, pp. 22-29.
7. Archived September 23, 2010. at the Wayback Machine Barney, J. 1991 . "Firm Resources and Sustained Competitive
8. Beatty, Jeffrey F., Samuelson and Susan, S. 2009. *Introduction to Business Law*. Cengage Learning.
9. Burke, L., & Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long Range Planning*, 29 (4), 495-502. doi:https://doi.org/10.1016/0024-6301(96)00041-6.
10. Carroll, A. (1979). A Three-Dimensional Conceptual Model of Social Performance. *Academy of Management Review*, 4 , 497-505. doi:10.2307/257850
11. Carroll, A. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society*, 38 , 268-295.
12. Carroll, A. (2008). A History of Corporate Social Responsibility: Concepts and Practices. In (pp. 19-46).
13. Chahoud, Dr. Tatjana; Johannes Emmerling; Dorothea Kolb; Iris Kubina; Gordon Repinski; Catarina Schläger (2007). *Corporate Social and Environmental Responsibility in India - Assessing the UN Global Compact's Role*.
14. Freeman, R. E. (2001). A stakeholder Theory of the Modern Corporation. 3 , 144 %J Perspectives in Business Ethics Sie.
15. Freeman, R. E. (2004). *A Stakeholder Theory of Modern Corporations: Ethical Theory and Business* .
16. Freeman. (1984). *Strategic Management: A Stakeholder Approach* . Boston: Pitman.
17. R.H. Gray, D.L.Owen & K.T.Maunders, *Corporate Social Reporting: Accounting and accountability* (Hemel Hempstead: Prentice Hall, 1987) p.
18. Revealed. 2013-01-14. Retrieved 2013-11-19.