

## Title:

Corporate Social Responsibility:By Dr Shanker Adawal

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## Summary:

Generating wealth in a manner that is socially and environmentally sustainable must be the common goal of domestic and international business. In this age of open world economy, brand reputation, repositioning of government activities and privatization, it is increasingly important to do business ethically, morally and with concern for the society. Business today are realizing that the world is not made up of strangers. There is bondage- human bondage.

## Keywords:

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## Article Body:

There are customers, employees, shareholders and the neighbours. The business class should render their support to the general people. If they will be uplifted socially and economically, the productivity of the corporate is also bound to increase.

The corporate sector in India very often blames the government for poor governance and lack of farsightedness. The question that comes every time into mind is, do the corporate sector performs its duty to contribute to the overall growth of the country? Does it have right to blame the government for poor governance? Does it contribute to nation building?

In India, most of the corporate do not have a clear policy on social responsibility. While developed countries like England have separate ministries to look after the issue of corporate social responsibility, in India, the government does not have a clear policy on the issue. Out of very few companies who contribute to the social development, the basic intention was not to ensure the good of the nation, rather a business policy to stay away from the tax net.

The corporate and the government should try to build up a relationship between the business and the society. The concept of corporate social responsibility (CSR) has so far failed to take deep root in India because the nomenclature is not properly defined. The CSR is in a nascent stage. Much needs to be done to bring changes in attitude towards CSR and bring awareness among the corporate

about their social responsibilities. The corporate should be made aware about the changing nature of business due to globalization, transformation of market environment and deepening of competition. The market economy has paved the way for enterprise-led development and a new cultural perspective is taking place in Indian business environment that has a strong bearing on social responsibilities.

Social responsibility encompasses the sectors like health, education, employment, income and quality of life. It should be binding on the corporate sector to work on the above aspects, which are thought to be primary social indicators. They have enough money to serve the nation on the above segments of the society. They should not forget that if general health of the mass were good, they would have better buying capacity.

In 1970, Milton Friedman of New York Times rightly wrote: " the social responsibility of business is to increase profits." This view is often held and propounded by those who do not see much merit in companies being engaged in issues of Social Responsibility other than the making of profit. However, increasingly, the profit case, evident indicators that are tangible and the altruistic/ philanthropic/ ethical case, evident in the intangibles are getting blurred. In this context the purpose is to highlight the need for a paradigm shift in the importance of greater investment in intangibles to enhance corporate value.

#### Significance of CSR for India

The ideal corporate citizenship has ethical and philosophical dimension, particularly in India here wide gap exists between people in terms of income and living standards as well as social status.

A latest survey by the Tata Energy Research Institute (TERI) called 'Altered Images: the 2001 State of Corporate Responsibility in India Poll' Traces Back The History Of CSR In India and suggests that there are four models of CSR.

#### Ethical model

The origin of the first ethical model of corporate responsibility lie in the pioneering efforts of 19 th century corporate philanthropists such as the Cadbury brothers in England and the Tata family in India. The pressure on Indian industrialists to demonstrate their commitment to social development increased during the independence movement, when Mahatma Gandhi developed the notion of 'trusteeship', whereby the owners of property would voluntarily manage their wealth on behalf of the people.

Gandhi's influence prompted various Indian companies to play active roles in

nation building and promoting socio-economic development during the 20th century. The history of Indian corporate philanthropy has encompassed cash or kind donations, community investment in trusts and provision of essential services such as schools, libraries, hospitals, etc. Many firms, particularly 'family-run businesses', continue to support such philanthropic initiatives.

#### Statist model

A second model of CSR emerged in India after independence in 1947, when India adopted the socialist and mixed economy framework, with a large public sector and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of corporate responsibility, especially those relating to community and worker relationships, were enshrined in labour laws and management principles. This state sponsored corporate philosophy still operates in the numerous public sector companies that have survived the wave of privatization of the early 1990s.

#### Liberal Model

Indeed, the worldwide trend towards privatization and deregulation can be said to be underpinned by a third model of corporate responsibility - that companies are solely responsible to their owners. This approach was encapsulated by the American economist Milton Friedman, who in 1958 challenged the very notion of corporate responsibility for anything other than the economic bottom line.

Many in the corporate world and elsewhere would agree with this concept, arguing that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

#### Stakeholder Model

The rise of globalisation has brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations. Citizen campaigns against irresponsible corporate behaviour along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility. This view is often associated with R. Edward Freeman, whose seminal analysis of the stakeholder approach to strategic management in 1984 brought stake holding into the mainstream of management literature (Freeman, 1984). According to Freeman, 'a stakeholder in an organisation is any group or individual who can affect or is affected by the achievement of the organisation's objectives.'

#### Perception and practices of CSR in India

A survey was conducted by ORG-MARG for TERI-Europe in several cities of India in

2001. The basic purpose of the survey was to capture perceptions and expectations (related to corporate responsibility) of the following three sets of stakeholders such as general public, workers (skilled, semiskilled and unskilled) and corporate executives (head of corporate relation, labour relations, welfare dept. and manufacturing dept. in MNCs, large and medium sized Indian companies). The poll gathered that people believe that companies should be actively engaged in social matters.

A majority of the general public feels that companies should be held fully responsible for roles over which they have direct control. These include providing good products and cheaper prices, ensuring that operations are environment friendly, treating employees fairly without any discrimination based on gender, race or religion and applying labour standards globally. More than 60% of the general public felt that the companies should also be held responsible for bridging the gap between the rich and the poor, reducing human rights abuses, solving social problems and increasing economic stability.

#### CSR as business success

CSR is considered to be an important aspect of business success- through efficient resource management, environment protection, employment, eco-friendly atmosphere, etc.

Ashok Khosla, President of Development Alternatives, an Indian NGO, is of the view that sustainability includes sustainable consumption and sustainable production and is thus the responsibility of both procedures and consumers. The CSR is not a one size fits all. The NGOs, citizens and governments must look at sizes, types and locations of companies to explore how CSR can be brought to bear on companies.

The civil society is good for business and a tool for advancing corporate take-up of CSR. Therefore, the business should view civil society as being the CSR auditors for business and a friend to business, much like traditional auditors. There are lessons for business to learn from their interactions with civil society that cannot only re-duce risk but improve overall competitive advantage.

#### Conclusion

The business of the 21-st century will have no choice but to implement CSR. The sooner corporate houses realize this and aggressively pursue this process, the better off they will be. The laws need to be formulated to help in reinforcing CSR practices.

Indian CSR has traditionally been a matter of classical paternalistic philanthropy, financially supporting schools, hospitals and culture

institutions. However, far from being an add-on motivated by altruism and personal glory, the philanthropic drive has been driven by business necessity. With minimal state welfare and infrastructure provision in many areas, companies had to ensure that their workforce had adequate housing, healthcare and education and simultaneously the country grows at a fast pace.

The CSR should not be merely a statement of intent. It should be made compulsory for the corporate operating in India. This will definitely help in upholding human rights. In this context, the following measures may be made mandatory to ensure participation of the corporate in social development:

- Incorporation of a section on social actions in annual reports of companies
- Appointment of an independent social accounting committee to measure, monitor, evaluate and report impact of CSR in annual reports
- Separate department to look after the CSR
- Periodic training programmes and awareness camps to train personnel on CSR
- Linkage between CSR and financial success should be established
- A certain percentage of profit should be earmarked for social development that should reflect in the annual balance sheets of companies.