

## IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIAN COMPANIES

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**Abstract:** *The term CSR has become a very popular word in the world of corporate houses. CSR focuses on how business house can build its empire along with the societal development. In 1963, Joseph W McGuire<sup>(11)</sup> has mentioned in his book, Business and Society: "the idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations". This clearly states that business house's sole responsibility is not only about wealth creation and increase shareholders share value, but something more towards society too. Going to back to early 1950s, the term CSR was interchangeably used with social commitments, social activities and philanthropy etc. There is a worldwide awareness about CSR, especially in developing countries such as India, China, South Africa, Gulf Countries, that the people are equal, the rights and opportunities are equal for them as well. The current concepts of CSR cover various issues such as protection of natural resources, taking care of environment, providing basic amenities for the employees in the factory. This paper brings out the responsibilities of Indian companies to be carried out for a successful organization.*

**Keywords:** *CSR, Corporate Social Responsibility, Models in CSR.*

### 1. INTRODUCTION ON CSR

In the current business scenario the main concept for any successful organization is not only showing higher profits in their final account books and increasing shareholders wealth but also to show how much contribution/care they have done for the interests of the society. Organizations need to take care of their employees, but at the same time they are also responsible to the society commitments. The term CSR is a combination of three different words, i.e. Corporate, Social, Responsibility. To elaborate these three terms, Corporate – large company, Social – Society, Responsibility- to be Responsible , on the whole CSR relates to the responsibility of companies towards the society.

1.1 According to assistant professor Peter A.Heslin and Jenna D.Ochoa<sup>(16)</sup>,2008 mentioned there is a significant relationship between performing corporate social responsibility and corporate success. Therefore it is very important

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for any successful organization to practice the concept of CSR. Employees are the biggest contributor of a successful organization therefore it is very important to take care of them. The success of an organization is primarily based on the performance of an employee, so it becomes very important for an organization to take of the employees and their families.

- 1.2 In 1953, Howard Bowen<sup>(1)</sup> published his book, *Social Responsibilities of the Businessman*, this made to believe with bringing the word CSR- Corporate Social Responsibility, and he is often termed as the father of CSR.
- 1.3 According to the World Business Council for Sustainable Development (WBCSD)<sup>(18)</sup> “Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”.
- 1.4 According to United Nations Industrial Development Organizations (UNIDO)<sup>(15)</sup>, “Corporate Social Responsibility (CSR) is a management Concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand , the concept of CSR clearly goes beyond that”.

From the above definitions it is clearly understood that CSR is a integrated part of the business strategy to prove that organizations are answerable to company shareholders, employees and care for the society on the whole.

## **2. CSR IN INDIA**

The root of CSR in India has been since centuries back where it was seen as philanthropic activity. And this act of philanthropy was passed on from generation to generation sowing the seeds of CSR. Normally, companies take up social cause in case of an emergency, or natural calamities like flood, earthquakes, tsunami etc. Indian companies do come forward to contribute towards social causes, still this has been seen as a philanthropic activity, socialists want the companies to come forward from the root itself.

## 2.1. Views about CSR from pioneers of Indian companies

Jamsethji Tata, TATA founder, Tata Group, mentions about CSR as - In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence”.

Jamshed Irani, Director , Tata Sons Ltd, says,“ the Credo is that ‘ give back to the people what you have earned from them””.

The Father of the Nation Mr.M.K.Gandhi<sup>(12)</sup> has mentioned about CSR by asking the entrepreneurs to build their business empire on the principle of trusteeship, which in turn means to spend the surplus for the society.

To make CSR in Indian soil firmer the Indian Parliament has passed an act in the year 2013, The Indian Companies Act, 2013 wants all the big companies to invest a part of their profits in social activities. Directing the surplus money by the organization towards societal cause will only not reduce poverty in India, but also make them feel that they have done towards some good cause for the society.

## 3. THE INDIAN COMPANIES ACT, 2013

The corporate social responsibility in India is governed by clause 135 of the companies act,2013, which was passed by the parliament with the assent of the President of India in the year 2013. The CSR provisions lays that companies with an annual turnover of Rs1,000 crores and above, or net worth of Rs 500 crores and above, or net profit of Rs 5 crores and more, to spend 2% of their net profit .The act also mentions the companies to setup a CSR committee to monitor the activities carried on for the social activities .

## 4. CSR MODELS

Here listed are the few models in CSR, which can be implemented in an organization:

### 4.1. Archie B Carroll's<sup>(5)</sup> CSR Pyramid Model



Mentioning about models, the very first one comes into picture is about Carroll's CSR pyramid Model. Archie B. Carroll has clearly stated about the responsibilities to be carried out by the companies towards the society. The model is a pyramid style consisting of four layers.

Starting from the base the Economic layer which clearly mentions the very base of starting a company ie profit maximization. The sole purpose of starting a company itself is profit maximization, and this has to be achieved.

The second layer is Legal responsibility, which mentions about adhering to the rules and regulations of the land, the prevailing government. Neglecting this responsibility may bring trouble to the company in the fore coming years.

The third layer is Ethical responsibility, this layer is about the interests of the organizational stakeholders, it mentions about giving quality products/services at reasonable prices to the customers. A good quality product/ services given at reasonable price, itself is an ethical activity. The ethical layer may change from company to company and it is upto the company to decide on the responsibilities.

Finally the forth layer mentions about the philanthropic activity, which is not compulsory to be taken by the companies but still if done it is an advertisement and brings out very good name and reputation for the company.

#### **4.2. LBG Model**

London Benchmarking Group<sup>(20)</sup> is the global standard for measuring corporate community investment. It is a network of corporate community investment professionals from many of the world's leading companies. LBG network is made up of companies spanning across sectors and geographies; many use LBG to evaluate across international programmes of activity. It is governed by a representative steering group of members, who work to evolve the framework and lists application by setting LBG's agenda. LBG is a network of companies, managed by corporate citizenship and run by members for members.

#### **4.3. CII and PWC<sup>(19)</sup>**

PWC India has released a handbook on corporate social responsibility in India clearly describes the meaning of CSR, role of CSR in the economy, the planning process, strategy formulation and involvement of SMEs in CSR. The handbook is very useful for the new business houses as well as the existing ones who wish to contribute for the development of the society. PricewaterhouseCoopers (PWC) is a multinational professional service network that provides strategies for effective societal responsibilities to be taken up by companies. Companies need to come forward and register with the PWC and the rest will be taken care by them. PWC provides strategy, planning, execution and monitoring the CSR activities of companies.

**4.4.** List of activities as prescribed under schedule VII of the Indian companies act, 2013;

1. Eradication of extreme hunger and poverty.
2. Gender equity and women empowerment
3. Promotion of education
4. Reducing child mortality and improving maternal health
5. Contribution to Prime Minister's relief fund and other such state and central funds.
6. Combating HIV - AIDS, malaria and other diseases.
7. Social business projects.
8. Environmental sustainability.
9. Employment enhancing vocational skills
10. And such other matter's as may be prescribed.

## **5. CONCLUSION**

A company relies on the society for marketing its products/services, and consumers are mutually dependent on the companies for fulfilling their self needs. It is therefore necessary for both companies as well as the consumers to act together without spoiling the environment. Corporate houses should indulge in corporate social activities by taking any of the above mentioned model. The government, NGOs has a pivotal role to play in the scenario. They can promote the CSR activities by running campaigns and regular follow ups. Even a small contribution by the corporate is also a need of an hour. Finally, CSR activity should be based on individual basis even though it is mandatory or not.

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