

## Corporate Social Responsibility: Potential to Contribute Towards Inclusive Social Development

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### Abstract

*“Corporate Social Responsibility is defined as operating a business that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.” Corporate social responsibility (CSR) deals with the motivation and encouragement to take up socially responsible activities that will improve the economic and ethical standards. Companies should make sure that environment is no way affected by executing their business activities. Another dimension for CSR is to go beyond everyone’s expectation in giving back to society. This will display the commitment made by the company to serve its employees and the common public. This is a popular practice in the western countries. However, it is still in nascent stage in India. Though, the industries grow by a double digit ratio every year, there are several problems like illiteracy, poverty, lack of basic amenities etc. Government cannot eradicate all these problems at once and people need help from such companies also. The articles will try to examine these as well. So, this article provides a brief introduction of CSR, argument in favor and against and implementation is also discussed. We strongly believe that a careful study of the various dimensions of CSR would contribute to the process of strengthening and fine-tuning the CSR initiatives that are still in a fledgling state in our country.*

*Key words: CSR- business- motivation- encouragement- poverty- dimensions*

### Introduction

Corporate social responsibility (CSR, also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is based on the idea that business has obligation beyond earning profits. A corporation is responsible not only to its shareholders but to all the stakeholders- customers, suppliers, employees, social communities and government, as well as the environment. Corporate Social Responsibility is thus defined as the voluntary activities undertaken by a company to operate in economic, social and environmentally sustainable manner. It is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns

in their business operation and in their interaction with their stakeholders on a voluntary basis. In the long run, social responsibility is consistent with profit motive. A business cannot survive and grow without serving the society. By fulfilling its social obligations, business creates an environment which is conducive to its success. What is good for the society is ultimately good for the business. The concept of social responsibility is based on the premise that a business firm is more than an economic instrument. CSR is based on the ethical conduct as it involves the application of moral values in business. The CSR Policy should normally cover following elements:

- (1) Care for all stakeholders
- (2) Ethical functioning
- (3) Respect for workers rights and

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- (4) Respect for human rights
- (5) Respect for environment
- (6) Activities for social and inclusive development

### Argument for CSR

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

1. **Human Resources:** A CSR programme can be seen as an aid to recruitment and retention particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.
2. **Risk Management:** Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.
3. **Brand Differentiation:** In crowded marketplaces, companies strive for a unique selling proposition which can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group and The Body Shop are built on ethical values. Business service organisations can benefit too from building a reputation for integrity and best practice.
4. **Better Public Image:** Good public image is necessary for business to serve more customers, better employees and higher profits. Business develop favorable public image by supporting the interest and goals of society. Consumers, workers, media and other sections of society are now well informed and more active. In such a scenario, it will be disastrous for corporate to overlook their social responsibility.
5. **Freedom of Enterprise:** When business fails to behave in a socially responsible manner. Government intervenes and regulates their activities. Such regulation and control is very costly to business both in terms of money and time. It also restricts flexibility of business decision-making. Socially responsible behavior can prevent government intervention and control.
6. **Environment Protection:** In the course of their functioning, business firms damage the surrounding environment. It is

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their duty to repair this damage so as to maintain the ecological balance.

#### **Argument against CSR:**

The concept of corporate social responsibility has been criticized on the following grounds:

1. **Vague Concept:** The idea of corporate social responsibility is vague and there are no clear guidelines as to the extent of this responsibility.
2. **Loss of Incentive:** Assumption of social responsibility causes erosion of the profit motive. There is no substitute for self-interest and profit as the drive towards efficiency. The concept of social responsibility is fatal to the efficiency of the business system.
3. **Conflicting Consideration:** Business managers will be guided by two conflicting considerations, namely profits and social responsibility. Decisions-making will become very difficult.
4. **Disregard of Market Mechanism:** The Doctrine of social responsibility is based on the implied assumption that political mechanism is better than market mechanism as the basis for allocation of scarce resources. Distortion of market mechanism is likely to result in inefficient utilization of the country resources.
5. **Arbitrary Power:** Involvement of businessmen in social affairs would provide them an arbitrary power. They may dominate social institution and perpetuate their own value system to the detriment of wider society.
6. **Burden on Consumer:** Assumption of social

responsibilities involved additional costs. Business firms are likely to transfer such cost to consumers by increasing prices of products and services.

7. **Responsibility of Government:** To run schemes and programmes for the welfare of weaker sections of the society is solely the responsibility of the government. Business should not be involved in these activities.

#### **Corporate Philanthropy & Corporate Social Responsibility: An Introduction**

##### **(1) Corporate Philanthropy**

1. Those activities that companies voluntarily undertake to have a positive impact on society, including cash contributions, contributions of products and services, volunteerism, and other business transactions to advance a cause, issue or nonprofit organization.
2. Dating back to 19<sup>th</sup> century, it emerged because of concern for welfare of the immediate members of corporation. Philanthropic activities include charity, provision for health care facilities, contribution of social-cultural activities etc.
3. Corporate philanthropy refers to the practice of companies of all sizes and sectors making charitable contributions to address a variety of social, economic and other issues as part of their overall corporate citizenship strategy.
4. Corporate philanthropy is a key component of a corporation's broader social responsibility and includes cash gifts, product donations and employee volunteerism. It serves as a major link between the corporation and its communities.

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## (2) Corporate Social Responsibility

1. Obeying the letter and spirit of the law; mitigating or remedying operational harm; and sustainable development of natural resources.
2. Achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.
3. Addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders
4. Companies that consciously integrate strategies that seek to maximize the creation of environmental and social value within their core business models, operations and supply chains.

### Developing CSR Policies

Firms that acknowledge the influence of stakeholders on their business can provide effective and successful CSR programmes which can deliver real value in the form of reputation, customer attraction, employee loyalty and investment opportunities. Moving from theory to practice and putting corporate responsibility into action can be achieved in a number of ways including:

1. Incorporating a clear CSR policy into mission, vision and values statement
2. Adopting a meaningful code of ethics that is implemented consistently
3. Publishing formal social and environmental reports and audits
4. Community Investment Programmes
5. Providing products and services
6. Employee volunteering schemes
7. Public education and awareness programs
8. Mentoring programs
9. Corporate community partnerships

10. Supporting good causes in marketing campaigns

Some of the forces that are making corporation increasingly conscious of their social responsibilities are:

1. Globalization
2. Good Employees Relations:
3. Image Building.
4. Increase in market share.
5. Legal Requirement.
6. Cost Saving.
7. Pressure from investors.

### CSR: The Indian Scenario

With the retreat of the state in economic activity in India, the imperative for business to take up wider social responsibilities is growing. At all levels, there is a felt need for companies to graduate to strategic interventions in CSR, which at present in many cases remain ad hoc. A sense of strategic direction is a vital component in an effective approach to corporate responsibility. Yet, for all these signs of progress, CSR in India has yet to realise its full potential. Individual and collaborative initiatives continue to be dominated by self-assertion rather than accountability. There is certainly no lack of CSR programmes and projects in India: what is absent, however, are clear metrics for evaluating their actual impact in improving social conditions. Many Indian business houses, private sector and public sector companies have undertaken major initiatives till date and have adopted several modes of practice related to CSR in India. Several innovative measures have also been adopted by companies towards the institutionalization of CSR that includes CSR initiatives by Lupin, Cipla, Ranbaxy, NIIT, TCS, BPCL, and Ion Exchange.

For long-established industrial dynasties, such as the Birla's and the Tatas, concepts of nation- building and trusteeship have been alive in their operations long before CSR become a popular cause. Alongside these are the leading Indian companies with strong international shareholdings, such as Hero Honda, HLL (Hindustan Lever Ltd), ITC, and Maruti Udyog, where local dynamics fuse with the business standards of the

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parent or partner. Another tradition emerges from the public sector enterprises, such as BHEL (Bharat Heavy Electricals Ltd), HDFC (Housing Development Finance Corporation), NTPC (National Thermal Power Corporation), and ONGC (Oil and Natural Gas Corporation), where social obligations remain an integral part of their business despite the march of privatization. And then there is the new generation of enterprises that has surged on the back of knowledge based globalization, such as Dr Reddy's, Infosys, Ranbaxy, and Wipro, where less emphasis is on minimizing negative impacts and more on maximizing the positive spill-over effects of corporate development.

India has a long tradition of paternalistic philanthropy. The process, though acclaimed recently, has been followed since ancient times albeit informally. Philosophers such as Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in several ancient literatures. In the pre-industrialized period philanthropy, religion and charity were the key drivers of CSR. The industrial families of the 19th century had a strong inclination toward charity and other social considerations. However, the donations, either monetary or otherwise, were sporadic activities of charity or philanthropy that were taken out of personal savings, which neither belonged to the shareholders nor did it constitute an integral part of business. During this period, the industrial families also established temples, schools, higher education institutions and other infrastructure of public use. The term CSR itself came into common use in the early 1970s. The last decade of the twentieth century witnessed a shift in focus from charity and traditional philanthropy toward more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. In India, there is a growing realization that business cannot succeed in isolation and

social progress is necessary for sustainable growth. An ideal CSR practice has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well socio-economic status. Currently, there is an increased focus and a changing policy environment to enable sustainable practices and increased participation in the socially inclusive practices.

### Conclusion

Corporate Social Responsibility is one such niche area of Corporate Behavior and Governance that needs to get aggressively addressed and implemented tactfully in the organizations. At the same time CSR is one such effective tool that synergizes the efforts of Corporate and the social sector agencies towards sustainable growth and development of societal objectives at large. India is a fast growing economy and is booming with national and multinational firms. At the same time, the Indian land also faces social challenges like poverty, population growth, corruption, illiteracy just to name a few. Therefore it is all the more imperative for the Indian companies to be sensitized to CSR in the right perspective in order to facilitate and create an enabling environment for equitable partnership between the civil society and business. The impact of CSR is under close scrutiny. There are three primary areas of concern: Product responsibility; Strategies for sustainability; the quality of CSR management. Therefore, with the growing importance of human capital as a success factor for today's organizations, the role of HR leadership will become ever more critical in leading and educating organizations on the value of CSR and how best to carry out the strategic implementation of CSR policies and programmes in India and abroad.

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