

## CSR ESSENTIALLY MEANS ‘PROSPERITY FOR ALL’

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### ABSTRACT

*Indian companies are very actively engaged in responsible activities and are ranked on top in the latest Associated Chambers of Commerce and Industry of India (ASSOCHAM) report on CSR by Indian companies. It has become crucial for every company to become socially responsible. With the consumers becoming more cause conscious, hence the changing preferences are most likely. So CSR helps the companies to highlight sense of belongingness of the consumers with them. Further social responsibility is equally important for the economic development of the country. CSR is titled to aid the firms' mission as well as a guide to what it stands for and will uphold to its consumers.*

*Corporate Social Responsibility is about the care, concern and the commitment of the business organizations towards the stake holders. Good CSR activity enhances self reliance. It results in building capacity for sustenance among beneficiaries and results in inclusive growth of stakeholders. A comprehensive planning and complete involvement of the stakeholders at all the stages would ensure self sustainable CSR.*

### INTRODUCTION

Corporate Social Responsibility (CSR) is the continuing business commitment to behave ethically and contribute to economic development, improving the quality of life of the workforce and their families at the same time of the local community and society at large. It is a concept through which companies contribute to a better society, cleaner environment and helps in economic development. It is a concept through which companies integrate environmental and social concerns in their business operations and while their interaction with their stakeholders.

CSR is twofold. First it exhibits the ethical behaviour that an organization has towards its internal and external stakeholders (employees and customers). Second, it denotes the responsibility of an organization towards the environment and society in which it operates as shown in fig 1.1

Corporate social responsibility is not about just planting trees in some vague corner, but about how you do your business and how ethical you are as a corporation.

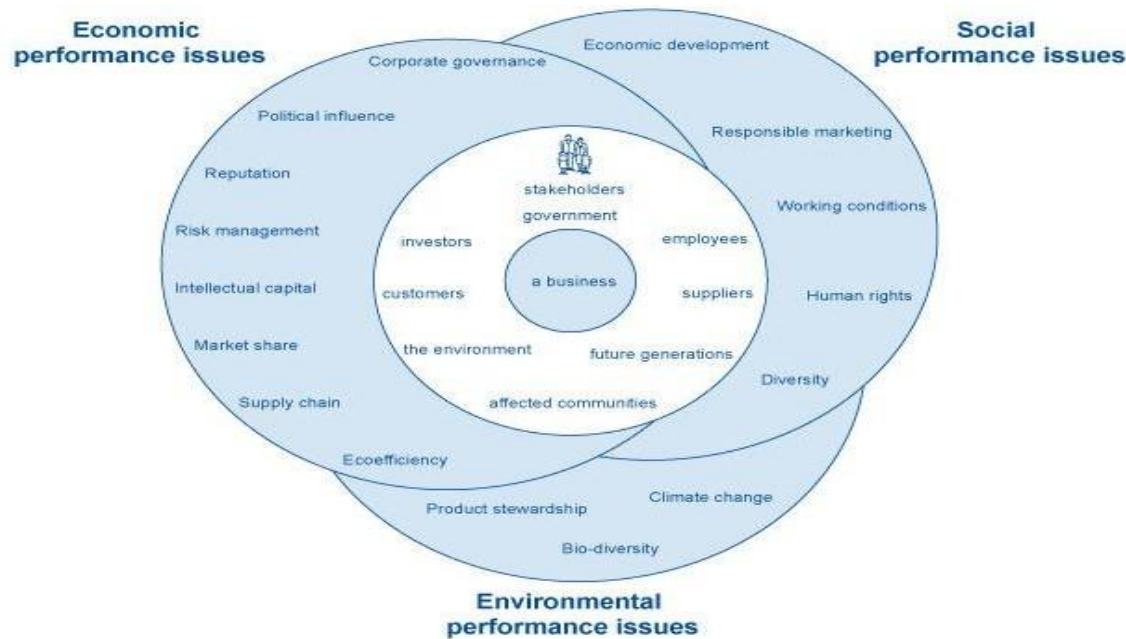


Fig 1.1 Pillars of CSR

CSR is generally understood as being the way through which a company achieves a balance of social, economic and environmental imperatives ‘Triple Bottom Line’ approach i.e. People, Planet, and Profit. Hence it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, philanthropy or sponsorships. Even though the latter can also make a valuable contribution to poverty reduction, which will directly enhance the reputation of a company, and strengthen its brand, but the concept of CSR clearly goes beyond that.

**LEVELS OF CSR**

This pyramid as shown in fig 1.2 below, gives a better view of the concept CSR. This is given in the book “CSR pyramid” written by Carl McDaniel and Lawrence J. Gitman. It has four levels and each level shows various set of responsibilities.

In the bottom (blue level), the economic responsibilities are most important for the existence of the business. The important aim of every business is to gain profit because these profits help them to keep run and sustain in the market. So firstly the survival has to be assured to move to the next level.



Fig 1.2 Levels of CSR (Lawrence J. and C. McDaniel, 2208, p.46)

The second level (green) shows the legal responsibilities, which are very essential to stand by the law of the land and particular industry to which the organization belongs. Next level is ethical responsibilities. After the assurance of survival and legality of the company, it can concentrate on working ethical working. Ethics generally represent a set of principles that prescribe a distinct behaviour code and tell what is wrong or right. In an ethical manner conducting the activities of business is always desirable.<sup>1</sup>

The final and the highest level of CSR pyramid is philanthropic responsibilities. These responsibilities can be administered in different ways such as donation, making charity at causes like drought relief, education for poor people, flood relief, making cash contributions in social events and many more similar causes. These activities are not included in the daily activities of business and are carried out for the welfare of society.

<sup>1</sup>Extracted from the book "Corporate Social Responsibility Pyramid" by Lawrence J. Gitman and Carl McDaniel published in 2008, referred to page number 46

## STAKEHOLDER CONCEPT OF CSR

CSR is a company's commitment to its stakeholders to conduct business in a socially, environmentally and economically sustainable way that is ethical and transparent. Present day business scenario has changed visibly from the traditional way of focusing on profit to today fulfilling the social responsibility and contributing to the various stakeholders such as employees, investors, customers and community at large who are impacted by their actions. Immense competition and increasing globalization has pushed the companies to fine-tune their strategies and business models to sustain over the long term and CSR is expected to play an important role in the coming years.



FIG 2.1: Key Stakeholders

Previously, companies took CSR as purely philanthropic process that was voluntary in nature. The concept of CSR has undergone a massive transition over the years and is gaining greater significance as a social responsibility that companies carry on for their sustainable business.

Similarly, companies have recognized the importance and benefits derived from implementation of strategies into CSR. Gradually, CSR has become an integral part of today's strategic business decision making process, and the goal is to add value to the business and the community at large. The benefits of implementing an effective CSR program for organizations are becoming increasingly clear and the companies have realized that CSR has a wide-scope positive impact on various stakeholders.

**CSR: A win-win for companies and the stakeholders**

CSR activities, mainly at the grass root levels delivers opportunities to connect with specific strata of community that might not be a part of the company’s clientele. Through these activities, beneficiaries get a chance to know more about the company and their products. Further the customers who are well versed about the company’s CSR activities might take the company and its products in a positive manner.



Investors in order to maximize the social impact of their investment are also taking increasing interest in supporting businesses that follow effective practices in CSR. Consequently, they are seeking more information about the investee firm’s CSR performance and initiatives. Moreover, investors are realizing the importance of CSR as a major tool available to companies in managing exposure to non-financial risks. Hence, a CSR program which is robust goes a long way in complementing business strengths in adding value to attractive investment.

Companies that conduct business in a socially responsible manner bring about beneficial impacts on stakeholders such as the customers, investors, employees, government and the society at-large. Hence, stakeholders often perceive a business that depicts good CSR behaviour in a positive manner. This lends tangible and intangible benefits to the companies and aids sustainability.

## BENEFITS OF CSR

The benefits of CSR for Indian companies are stated as below

- **Improve brand's visibility and company's reputation:** An organizational performance in the field of CSR can help building a good reputation for the company. And at the same time poor performances influence negatively the value of the brand.
  - **Gaining a social license for the operations:** Activities associated with social responsibility help companies earn a kind of 'social license' that permits them to run. Companies that seek new natural resources usually seek this kind of benefit.
  - **Improve reputation among investor and financial institutions:** The international community of investors uses factors such as social and environmental performances to evaluate investment opportunities of a certain company.
  - **Business risk reduction:** Risk management has become essential for the business' success. Companies began understanding that investing time and resources to meet stakeholders' expectations and can cut business's risk.
  - **Motivation and productivity enhances for the employees:** Many companies reported that their CSR programs increased the employees' moral and their motivation to work. This led to a growth in productivity
  - **Attracting and retaining the employees:** Strong empirical arguments prove that firms with strong social responsibility programs and good reputation have a better chance to recruit and keep competitive employees. CSR is a criterion with an increasing importance in taking decisions when choosing a working place.
  - **Access to the new markets:** CSR investments enables companies to reach new markets, increase clients' loyalty, help increase the activity on new markets. People have consideration towards socially responsible companies.
  - **Cost reduction:** CSR-related activities can help a company to cut its costs, especially environment protection programs (e.g. reducing energy consumption or recycling).
- Improve relationship with the stakeholders:** CSR programs help companies to improve the relationships with stakeholders. When firms are available to listen to stakeholder's concerns and want to cooperate with them, is created an indispensable trust between the two sides.

## NEW COMPANIES ACT 2013 AND CSR

Revised CSR and sustainability guidelines for PSEs (Public Sector Enterprise) intended to attain the nation's aim of inclusive growth

India has emerged as one of the world's strongest emerging markets and PSUs have played a vital role in achieving this growth and development. In order to sustain this growth, CSR initiatives have



become important as they form a crucial part of the companies' strategic decision-making process. In order to integrate this into their business models and achieve the nation's aim of inclusive growth, the revised CSR and sustainability guidelines in Dec 2012 (effective April 2013) are expected to play a crucial role. The revised guideline has urged the CPSEs to embrace a robust CSR practice that is in the interest of all stakeholders.

As per the new guidelines, it is mandatory for PSEs to disclose its various CSR initiatives and performance to stakeholders. Previously, CSR and sustainable development were treated as two distinct subject areas and were dealt with differently for the purpose of evaluation of the MOU. However, for increased transparency, now they are combined into a single set of guidelines. The budgetary allocation for CSR has also been modified.

The revised CSR and sustainability budgetary allocation for CPSEs is as under:-

Net Profit in the previous year	Budgetary allocation as a % of net profit in previous year
Less than ₹ 100 Crs	3% - 5%
₹ 100 Crs - ₹ 500 Crs	2% - 3%
₹ 500 Crs and above	1% - 2%

Source: Department of Public Enterprises, Guidelines on CSR and Sustainability for CPSEs

The PSEs would have to utilize and spend the entire amount dedicated for CSR, or would have to disclose the reasons for not utilizing the entire amount. Further, if the CPSEs are unable to spend the dedicated amount for CSR in the present year, it would have to spend the amount in the next two financial years, and if it fails to do so, it would be transferred to 'Sustainability Fund'. Currently, its implementation mechanism is being formulated separately

### **Brief on CSR activities as prescribed under the new Companies Act, 2013<sup>2</sup>**

1. Objective to efface the daily life segments including poverty, malnutrition and hunger while enhancing the standard of living and promoting the facets of better health care and sanitation.
2. Initiative to promote the different segments of education including special education and programs to enhance the vocation skills for all ages like children, women, elderly and conducting other livelihood enhancement projects.
3. Aim to bring the uniformity in respect of different sections of the society to promote gender equality

and other facilities for senior citizens and developing hostels for women and orphans and taking initiative for empowering women and lowering inequalities faced by socially and economically backward groups.

4. Elevate the segment of flora and fauna to bring the ecological balance and environmental sustainability in respect of animal welfare, conservation of natural resources and agro forestry while maintaining the quality of air, water and soil.
5. Enhancement of Craftsmanship while protecting art and culture and measures to restore sites of historical importance and national heritage and promoting the works of art and setting up of public libraries.
6. Steps to bring worthy to the part of war widows, armed force veterans and their departments.
7. Sports programs and training sessions to enhance the level of rural sports, nationally recognized sports, Paralympics sports and Olympics sports.
8. Favoring to Prime Minister's National Relief Fund and contribution to other fund set up by the central government to promote socio-economic development and welfare of the schedule castes and Schedule Tribes and for supporting backward classes, minorities and women.
9. To uplift the technology of incubator that's comes under academic institutions and which are approved by the Central Government.
10. Introducing varied projects for Rural Development.

### **CSR FEW EXAMPLES**

BIRLA and TATA are the famous and leading companies in India that are engaged towards the corporate social responsibility since when this concept was not famous in India. Today India is considered to be one among the top Asian countries as far as CSR are concerned.

Mr. Mukesh Ambani (Chairman of Reliance Industries) defines CSR as “Continuous Social Responsibility” and also said it is a combined effort of corporate world, government and people together. Also he said that businesses should not be calculated only on the basis of financial returns but on social returns as well (The Economic times dated 11 July 2011).

The giant of cola industry, Coca-Cola India won the Golden Peacock Global Award for corporate social responsibility. This award has been gifted to this company in community development-for replenishment of ground water and setting goals to reach a ‘net-zero’ balance with respect to groundwater usage. In partnership, coca cola with Rotary International has launched ‘Elixir of Life’ which is a project to provide potable water to 30,000 underprivileged children in and around Chennai.

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<sup>2</sup> Corporate Social Responsibilities under the Companies Act, 2013, Article: Corporate Law by CS Dhanapal, 3 Dec’13



## CONCLUSION

Today, CSR talks about responsibility across all stakeholders in terms the 'Triple Bottom- line' i.e. the people, planet & profits. CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

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