

CSR- Road to Inclusive Growth and Sustainable Development

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ABSTRACT

Corporate Social Responsibility (CSR) is a concept whereby companies decide voluntarily to contribute towards social welfare. It is a self-regulating means ensuring that any business organisation abides by the spirit of law, maintains ethical standards and observes national and international standards. It is represented by the contributions undertaken by the companies towards society through its business activities and its social investments. CSR is another name to Corporate Conscience and Responsible Business. There is a pressure on Indian Corporate sector to improve business ethics through its public initiative. Today, major corporate houses lay emphasis on commitment towards promotion of non-economic social values under a variety of headings- social responsibility being one of them. Companies are putting efforts into integrating CSR with their business strategy and expanding their support for education, health care and environmental sustainability initiatives. In some cases, corporations have rebranded their core values in the light of business ethical considerations. Greater amount of transparency and standardisation may be brought in for CSR reporting by companies by introducing suitable amendments in relevant legislations by regulatory agencies. Recently brought CSR Act has also got much momentum. Government support in implementing CSR initiatives will be helpful for channelizing private and public sector funds for planned development of the nation. An attempt has been made to analyse the current trends and the status of CSR and its contribution towards inclusive growth. Now-a-days corporates are aware of the importance of Corporate Social Responsibility but not of the right kind of CSR activities which would lead to creating an impact on the lives of the people and the capacity building. Other than this the focus would be on sustainable development which would include the impact of CSR activities on the nature.

Keywords: Corporate Social Responsibility, Inclusive Growth, Sustainable Development, CSR Matrix, CSR Trends

INTRODUCTION

H. Bowen is considered as the first person to use the term or phrase “Corporate Social Responsibility” in the book written by him “Social Responsibility of Businessmen” in 1953. In layman’s language Corporate Social Responsibility means including social issues in the business motives, decisions and day-to-day activities or operations. Corporate Social Responsibility (CSR) is known by various other names all round the world like Ethical Business Practices, Social Responsibility, Environmental Responsibility, Corporate Responsibility Sustainability, Triple Bottom Line and many more. Some of the prominent authors have defined CSR as:

Keith Davis (1973) defined CSR as considering issues beyond a corporate’s economic, legal, technical requirements. Milton Friedman (1970) believed that social responsibility is a way to increase profits of the firm.

Therefore, CSR ranges from obligations towards external factors created by market to voluntarily spending in social objectives keeping the social norms and laws in mind. CSR is a never-ending field of research. In short CSR is a voluntary approach of companies to integrate social and environmental issues or concerns in their day-to-day business activities and in their interaction with stakeholders.

EVOLUTION OF CSR

In INDIA, there are four stages of evolution of CSR.

Stage 1: Prior to 1947, CSR was understood as charity done by businessmen and philanthropists having religious sentiments.

Stage 2: After independence, the Gandhian Philosophy, advocating role of Public Sector Undertakings as important element for development, became popular.

Stage 3: This stage started in 1991, when the country adopted the policy of LPG- Liberalisation, Privatisation and Globalisation. Global players got permission to enter domestic markets and therefore enhanced competition.

Stage 4: After the year 2000, India became the first country to mandate CSR, and the main focus was on partnership and the triple button line engagement and not only the monetary alliance.

NATIONAL VOLUNTARY GUIDELINES

National Voluntary Guidelines are applicable to every business irrespective of its size, sector, scope of activities or location. These guidelines were formulated in such way that they assist firms and organisations or enterprises to become responsible. These guidelines were recognised so widely that they were considered while formulating Companies Act, 2013. Some of the principles considered while framing these guidelines are:

- Businesses should conduct their activities keeping full transparency and accountability along with ethics.
- Businesses should provide safe goods and services.
- Businesses should support sustainable development throughout their life cycle.
- Businesses should promote welfare of employees.
- Businesses should provide value to their customers.
- Businesses should respect and promote human rights.
- Businesses should engage in public and regulatory policies in a responsible manner.
- Businesses should support and promote inclusive growth and development.
- Businesses should protect and make efforts to restore environment.
- Businesses should be responsive to and take care of the interests of all the stakeholders.

CORPORATE SOCIAL RESPONSIBILITY IN COMPANIES ACT, 2013

Companies Act, 2013 came into force on 01.04.2014 and CSR is explained under section 135 of this act. With the Companies Act, 2013, India became the first country to mandate and qualify corporate social responsibility expenditure, and hence became a landmark legislation. The main motive of government behind the inclusion of CSR activities is to include businesses in national development goals.

According to the provisions of the act, every company (public or private) having net worth of Rs. 500 crore or Rs. 1000 crore turnover or Rs. 5 crore as net profits have to spend at least 2% of its average net profits on CSR activities. CSR activities may be undertaken in any of the activities mentioned under Schedule VII if the act.

Generally, a CSR committee is set up by the corporations which develops a CSR policy, including the CSR activities that the corporations are willing to undertake, to be approved by the board of directors.

INCLUSIVE GROWTH

Inclusive growth and development is a way to achieve equitable distribution of wealth in the country. For sustainable development of the country, specifically developing countries like India, inclusive growth is necessary. Despite being necessary it is difficult as well. The biggest challenge in the country like India to bring people living in rural areas into mainstream economy. Another challenge is to take growth to all parts of the country along with all sections of the society. There are some factors as well that motivate and encourage authorities concentrate on inclusive growth. Some of these factors are:

1. India is 2nd largest economy by population.
2. India is 7th largest country by area.
3. India is 12th largest economy by market exchange rate.
4. India is 4th largest country by PPP.

The corporations need to help government to resolve some of the core issues presiding in our country like, low rate of employment growth, gender and social inequalities, lower human resource development, larger rural-urban gap, low agricultural growth, regional disparities etc, to incorporate inclusive growth in a full fledged form.

GUIDELINES TO INCLUDE CORPORATE SOCIAL RESPONSIBILITIES

- **INTEREST OF ALL STAKEHOLDERS:** Companies should respect and take care of the interests of all the stakeholders, employees, customers, suppliers, etc affected by the project and the society at large to create a value for them and also for the firm.
- **ETHICAL RESPONSIBILITY:** The governance system of the companies should be ethical, transparent and accountable. Corporates should not engage in abusive, unfair, corrupt and anti-competitive business practices.
- **WORKERS' RIGHTS AND WELFARE:** A safe and hygienic working environment should be provided by the companies to its employees along with the facility of training and development of their special skills that will help them in their growth and development without any kind of discrimination on the basis of caste, sex, creed and colour.
- **HUMAN RIGHTS:** Along with respecting human rights companies should protect and exploitation of human rights.
- **ENVIRONMENT PROTECTION:** Companies should adopt proper measures to protect environment and promote the three R's i.e. Reduce, Reuse and Recycle. They should use natural resources in a judicious manner.

MECHANISM OF POLICY IMPLEMENTATION

Corporates engage in partnership with local authorities and non-government associations. They also specify some amount in their annual budget for CSR activities. They engage in such programs which encourage socially responsible activities and CSR activities to extend their network with other organisations.

Corporations also need to publish a policy, wherein their present status and progress report on Corporate Social Responsibility is mentioned to all its stakeholders and the general public through their annual reports or any other means.

Corporate Social Responsibility is being used as a tool by the government to support government policies promoting inclusive development of the country. Promotion of CSR by government may result in positive or negative impacts. In positive sense, it may result in an evolution, whereas in negative sense it may lead corporates indulge in offensive attempts to operate competitively in global world.

TRENDS IN CSR

Since the past few years back when the CSR expenditure had been mandated under Companies Act, 2013, a huge amount is invested by the companies in India towards community development in the sectors of education, health, environment protection, sanitation, skill development and many more. A few are studied as under:

- **Cleaner Environment**
Swachh Bharat Abhiyaan was launched by the government to make the environment clean. In starting the Abhiyaan was viewed in doubt, whether it would succeed or not. But it brought the society to think seriously about cleanliness of their surroundings, city, state and the country. Even some newspapers also allocate or reserve some space for advertisements or tenders for construction of public toilets, garbage lifting etc that helps in keeping the country clean.
- **CSR no more a charity**
Now it has been realised that mere donating some amount in the name of charity does not constitute CSR. Corporates need to disclose the investments done by them in CSR activities, and they are now undertaking such methods that will add to their brand value along with social welfare.
- **Save Water**
While going through the Global Risk Report, ninth edition released by World Economic Forum in 2014, it was concluded that water is one of the highest global risks. In their sustainability reports, corporates show water at two levels- as part of company profits and as part of initiatives for societies.
- **Renewable sources of energy**
Companies are encouraged and expected to use renewable resources such as solar energy, wind energy and bio fuels. In this way corporates help government in policy formulation and to achieve NDC (National Determined Commitment) of emission cut.
- **Inclusive Development**
Now-a-days companies are expected to undertake such activities that results in social and economic welfare. Their CSR policies includes identification of social activities, setting feasible targets, time schedules and activity monitoring.

CSR MATRIX

Two main parameters considered while constructing a CSR Matrix are CSR Scores and CSR Spend.

CSR Scores: On an average manufacturing companies score far better than service companies. Companies are strong on governance, weak in disclosure, weak on stakeholder-based CSR.

CSR Spend: This indicates spending patterns of companies on CSR activities. Only a few companies spend 2% of their earnings, as per the norms, on CSR while majority of companies spend less than 1% of their earnings on CSR. So, it can be said that CSR MATRIX= CSR Scores + CSR Spend

CSR Matrix is categorised into four quadrants:

1. **PACE SETTERS:** These are the companies that spend relatively larger amounts on CSR and have relatively high CSR scores.
2. **STARTING OUT:** These companies spend relatively less on CSR and also lower CSR scores.
3. **SMART UTILIZERS:** These companies spend relatively less on CSR but have higher CSR scores.
4. **LOW EFFICIENCY:** These companies spend relatively higher amount on CSR but have relatively low CSR scores.

INCLUSIVE GROWTH IN INDIA

India's economy is growing at a phenomenal rate combined with a flourishing democracy is making people sit up and take notice across the world. India remains shackled in corruption, red tape, age old social barriers and a puzzling lack of transparency. Due to all these reasons growth of all sectors is not uniform and large cross sections of the population remains outside its purview. Several social, economic and political factors need to be considered for a high sustainable high growth rate along with inclusive growth.

CONCLUSION

Most of the companies are encouraged to undergo CSR activities for two reasons: external environment or statutory pressures or internal measures. Now-a-days, most of the companies fall under second category and initiate CSR programs with great passion.

It is increasingly becoming evident that issues related to climate change and social responsibilities in the areas of operations will soon be decisive factors of business survival. There are many business leaders today who are eager to try to project an image of social responsibility- for example, by developing triple bottom line reports.

Corporate Social Responsibility today is in fact the building block of the social pillar of sustainability and inclusiveness in all forms.

The modern India demands corporates to be responsible towards its shareholders, customers, employees and to the country.

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