Corporate Social Responsibility- From charity to responsibility in context with Indian situation

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ABSTRACT

Conceptually the corporate social responsibility has covered a long journey from charity to Millennium Development Goals (MDGs), to voluntary guidelines, to being included in the Companies Act, 2013. The research for this paper was carried on by reviewing a large collection of publications on the subject of CSR. Some authors think that it has been in existence from the time the business existed, others think it is a relatively new concept. According to WBCSD (World Business Council for Sustainable Development) “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.” This paper is an attempt to trace the historical roots of the concept from ancient times to the modern days and to understand the significance of CSR to address developmental issues needing attention of all concerned to make decent living conditions for all in this country where almost about one-fourth of its population is still living below poverty line.

Keywords: CSR, MDGs

1. CONCEPT OF CSR BEGAN WITH CHARITY

The concept of CSR in India is not new, the term may be. The process though acclaimed recently, has been followed since ancient times albeit informally. Philosophers like Kautilya from India and pre-Christian eraphilosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions where it has been intertwined with religious laws. “Zakaat”, followed by Muslims, is donation from one’s earnings which is specifically given to the poor and disadvantaged. Similarly Hindus follow the principle of “Dhramadā” and Sikhs the “Daashaant”.

The term CSR itself came in to common use in the early 1970’s although it was seldom abbreviated. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it.

This can be corroborated by the fact that while in 1977 less than half of the fortune 500 firms even mentioned CSR in their annual reports, by the end of 1990, approximately 90 percent fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports (Boli and Hartsuiker, 2001).

An insight into the history of CSR reveals that till 1990s it was solely dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often restricted themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the efficacy and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing.

This paper is an attempt to trace out the journey of CSR in context with Indian situation with following objectives:

2. OBJECTIVES OF THE STUDY

1. To understand the concept of Corporate Social Responsibility.
2. To understand the initiatives taken by the government to promote the concept of CSR.
3. To know the actual facts and figures indicating the CSR needs with special reference to India.

3. DEFINITION OF CSR

According to WBCSD (World Business Council for Sustainable Development) “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.” Tracing the etymology of the term ‘company’ is relevant here because as the words ‘Corporate,’ ‘Social’, and ‘Responsibility’ rightly suggest, CSR covers the responsibilities that companies or corporations have to the societies within which they are based and operate. From
a practical perspective, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process (University of Miami, 2007) [8]. Archie B. Carroll (1979) suggests that “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” [2].

The totality of CSR can be best understood by three words: ‘Corporate,’ ‘Social,’ and ‘Responsibility.’ In broad terms, CSR relates to responsibilities corporations have towards society within which they are based and operate, not denying the fact that the purview of CSR goes much beyond this. CSR is comprehended differently by different people. Linking CSR with international development is founded on two uncontroversial conditions i.e.

1. Continuous presence of global developmental problems like poverty and hunger and little progress of different countries to eradicate these problems and
2. Enormous financial and organizational clout that business specially the MNC’s enjoy in the modern world. The argument concludes with an invitation to business to assume more responsibility towards overall development.

### 4. Emergence of MDGs and its Linkage with CSR

The enormity and persistence of poverty and other related developmental problems, particularly in the developing countries of Asia and Africa in a way seems to have influenced the UN; the United Nations Development Programmes (UNDP) and other international bodies to promote CSR as a developmental tool.

In the world economic forum on January 31, 1999, the then UN Secretary General Kofi Annan announced the concept called Global Compact (GC) has ten principles, which are specifically about human rights, labour standards, environment and anti-corruption that have been aimed at the business community to request them to align their operations and strategy accordingly.

Eight Millennium Development Goals (MDGs), which were adopted in Millennium Summit, held on September 6-8, 2000, have also been announced as targets to be fulfilled by 2015. The eight MDGs, as mentioned here will go a long way in solving major developmental problems particularly being faced in developing part of the world.

In 2000, the leaders of the world made a historic commitment: to eradicate extreme poverty and improve the health and welfare of the world’s poorest people within 15 years. The commitment, adopted at the Millennium Summit in September 2000, was set forth in the United Nations Millennium Declaration. This vision was expressed in eight time-bound goals, known as the Millennium Development Goals (MDGs) [7].

#### 4.1 MDGs (Millennium Development Goals):

The eight Millennium Development Goals (MDGs) - which range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education all by the target date of 2015 - from a blueprint agreed to by all world’s countries and all the world’s leading development institutions. These eight goals and some of their highlights are:

**Goal 1**: Eradicate extreme poverty and hunger.
- **Target 1.A**: Halve between 1990 and 2015, the proportion of people whose income is less than $1.25 a day.
  - The target of reducing extreme poverty rates by half was met 5 years ahead of the 2015 deadline.
  - At the global level more than 800 million people are still living in extreme poverty.
- **Target 1.B**: Achieve full and productive employment and decent work for all including women and young people.
- **Target 1.C**: Halve, between 1990 and 2015 the proportion of people who suffer from hunger.
  - Globally, about 795 million people are estimated to be undernourished and more than 90 million children under age 5 are still undernourished and underweight.

**Goal 2**: Achieve universal primary education.
- **Target 2.A**: Ensure that by 2015 children everywhere, boys and girls alike will be able to complete a full course of primary schooling.

**Goal 3**: Promote gender equality and empower women.

**Goal 4**: Reduce child mortality.
- Between 1990 and 2015 the global mortality rate of under 5 years age group has declined by more than half, dropping from 90 to 43 deaths per thousand live births.

**Goal 5**: Improve maternal health.
- **Target 5.A**: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
  - Since 1990, the maternal mortality ratio has been cut nearly in half and most of the reduction occurred since 2000.
- **Target 5.B**: Achieve, by 2015, universal access to reproductive health.

**Goal 6**: Combat HIV/AIDS, malaria and other diseases.
- **Target 6.A**: Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
- **Target 6.B**: Achieve by 2010 universal access to treatment for HIV/AIDS for all those who need it.
• By June 2014, 13.6 million people living with HIV were receiving anti-retroviral therapy globally.

Goal 7: Ensure environmental sustainability.
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
Target 7.B: Reduce biodiversity loss, by 2010 a significant reduction in the rate of loss.
Target 7.C: Halve by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.
Target 7.D: Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.
• Between 2000 and 2014, more than 320 million people living in slums gained access to improved water sources, improved sanitation facilities, or durable or less crowded housing, thereby exceeding the MDG target.
• More than 880 million people are estimated to be living in slums today, compared to 792 million in 2000 and 689 million in 1990.

Goal 8: Develop a global partnership for development.
Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
Target 8.B: Address the special needs of least developed countries.
Target 8.C: Address the special needs of landlocked developing countries and small island developing States.
Target 8.D: Deal comprehensively with the debt problems of developing countries.
Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
Target 8.F: In cooperation with the private sector, make available benefits of new technologies, especially information and communications.

With the passage of time, most of the countries started developing voluntary guidelines for implementation of CSR.

5. Voluntary Guidelines: A Path Towards Implementation of CSR
For companies seeking a formal approach to CSR, especially large companies, authoritative guidance is provided by internationally recognized principles and guidelines, in particular the recently updated OECD Guidelines for Multinational Enterprises, the ten principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the United Nations Guiding Principles on Business and Human Rights. This core set of internationally recognized principles and guidelines represents an evolving and recently strengthened global framework for CSR. European policy to promote CSR should be made fully consistent with this framework.

Salman Khurshid (2009) the then Minister of State (Incharge) for Corporate Affairs in a publication on voluntary guidelines on Corporate Social Responsibility of Ministry of Corporate Affairs, New Delhi stated that the Indian business has traditionally been socially responsible [5]. Frominactive philanthropy to the incorporation of the stakeholders' interest intethe business model, the Indian business sector practices variousmethods of discharging its social responsibility. While a lot of humanand economic energy is available for utilization in this area, a suitable mechanism is required to channelize this energy for which the Government, corporate sector and the communities need to partnertogther. Against this background, the Ministry of Corporate Affairs has decided to bring out a set of voluntary guidelines for responsible business which will add value to the operations and contribute towards the long term sustainability of the business. These guidelines will also enable business to focus as well as contribute towards the interests of the stakeholders and the society.

At a time when the Government is engaged with delivery of a gigantic national development initiative and is taking a leadership position on various global issues, Minister further stated that India will be ready to walk step by step with the Government to discharge their responsibilities towards national development. He expected more and more businesses in India adopting these voluntary guidelines and partnering in the endeavor of national development.

5.1 Core Elements:
Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board. The CSR Policy should normally cover following core elements:

5.1.1 Care for all Stakeholders:
The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

5.1.2 Ethical functioning:
Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.
5.1.3 Respect for Workers’ Rights and Welfare:
Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

5.1.4 Respect for Human Rights:
Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

5.1.5 Respect for Environment:
Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

5.1.6 Activities for Social and Inclusive Development:
Dependent upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

5.2 Implementation Guidance:
5.2.1 The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects/activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non-government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects/activities from time to time.

5.2.2 Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.

5.2.3 To share experiences and network with other organizations the company should engage with well-established and recognized programmes/platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible.

5.2.4 The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media.

From Voluntary Guidelines CSR has moved a step ahead for effective implementation under the Companies Act, 2013.

6. THE COMPANIES ACT
In India, the concept of CSR is governed by Section 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August, 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director.

The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities[6].

- The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act, which are:
  - Eradication of extreme hunger and poverty.
  - Gender equity and women empowerment.
  - Promotion of education.
  - Reducing child mortality and improving maternal health.
• Combating HIV-AIDS, malaria and other diseases.
• Contribution to Prime Minister’s relief fund and other such state and central funds.
• Environmental sustainability.
• Social business projects.
• Employment enhancing vocational skills.
• And such other matters as may be prescribed.

The draft rules (as of September, 2013) provide a number of clarifications and while these are waiting public comment before notification, some of the highlights are as follows:

- Only CSR activities undertaken in India will be taken into consideration.
- Activities meant exclusively for employees and their families will not qualify.

7. CSR AND DEVELOPMENTAL ISSUES IN INDIA

It is well known that the developmental indices in India are not where they should be. World Bank report of 2009 shows that population living below poverty line in rural and urban area was 28% and 26% respectively. Infant mortality per thousand live birth was 57; maternal mortality per 10,000 live birth was 45; percentage of underweight children below 5 years was 46%; literacy rate 15 years and above in male and female was 73% and 48% respectively; access to pure water source was to 89% of population and access to improved sanitation was only to 33% of country’s population.

According to latest information available from Planning Commission Report 25.7% of rural and 13.7% of urban population or 216.7 million and 53.1 million respectively was living below poverty line in our country [1]. This clearly indicates that still very large population is living below poverty line and needs immediate attention of all concerns. These figures clearly indicate that even 68 years after independence these development issues are not well managed. With regard to rural and urban population living below poverty line, information made available on 4th July, 2015 (Dainik Jagran, 4th July 2015) in a report on socio-economic survey of India (released by Union Minister of Finance and Union Minister of Rural Development of India) has given very alarming picture.

It was shocking to know that after investing billions of rupees on poverty eradication programmes during last 12 Five year plans, about 75% of 179 million rural families i.e. 133 million are having below rupees 5000 per month family income. Out of 179 million households 53 million are landless which are living under extremely poor condition on daily wages, with no regular employment guarantee. (Dainik Jagran, 4th July 2015). It is also a fact that out of 243.9 million households or about 1250 million population about 70% i.e. 179 million families are living in rural area. India is having 60% of its population dependent on agriculture, with 80% of land holdings below 2 hectare; compared to India, 40% global, 9% in Europe, 5% in Australia and only 2.3% population in USA is engaged in agriculture. Keeping these facts into consideration our priorities on CSR agenda and sustainable developmental issues have to be different than rest of the world, especially that of Europe, Australia and USA.

8. SUGGESTIONS

1. Concept of CSR has covered a long journey from charity to responsibility. Guidelines for its implementation have also been developed. Also in India, the concept of CSR is governed by Section 135 of the Companies Act, 2013. Keeping our socio-economic conditions in mind our CSR central theme has to be pro poor, pro rural, for poverty eradication, employment generation, both in rural and urban area followed by sanitation.

2. If success in these areas is achieved then other developmental issues namely, health, education, mortality reduction, etc. will automatically follow. So CSR should be effectively implemented, that too in all organizations, in both public and private sector.

3. It is a well-known phrase that “poverty is a curse.” With joint efforts of government, business organization’s CSR activities and people’s participation, if we succeed in poverty eradication then rest of the developmental issues will make a move in right direction.

4. Keeping in view the vast diversity in agro-climatic and socio-economic conditions in a large country like India CSR programmes should be location specific and need based.

REFERENCES:


