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SOCIAL CORPORATE RESPONSIBILITY: AN INDIAN PERSPECTIVE

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ABSTRACT

We make a living by what we get, but we make a life by what we give.” – Winston Churchill.

India is a developing economy, here Corporate Social Responsibility (CSR) play important role in organizations. In Indian industry one can easily notice a paradigm shift from corporate philanthropist to being socially responsible. The importance of CSR is increasing in Indian corporate scenario because organization have realize that ultimate goal is not profit making beside this trust building is viable and assert able with societal relationship. The compulsion of CSR has emerged in last two decades when Indian organization realizes the importance of sustaining in this cutthroat competition era. Before this Indian industries had materialistic culture. In the hue and cry of LPG (Liberalization, Privatization and Globalization) companies were only focused toward profit maximization which led social backwash. To overcome this fashion CSR play an important role in sustainable development which is only possible when there is a balance between profit and lowering social backwash or eradicating it. This research paper try to analyze the study of CSR status in India, this can give insight to what extent companies can follow the CSR. I would like to through light on CSR for Indian organization which would be helpful for both economic and social interest which would be futuristic majors to provide valuable information as well as suggest on their CSR practices and performance.

Keywords: Corporate Social Responsibility; Firm Incentives; Social Welfare; Efficiency; Regulation; Enforcement

INTRODUCTION

Being Socially Responsible means, the people and organisations must behave ethically and with sensitivity toward social, cultural, economic and environmental issues. Striving for social responsibility helps individuals, organisations and governments have a positive impact on development, business and society with a positive contribution to bottom-line results. The International Organisation for Standardisation (ISO) states: “In the wake of increasing globalisation, we have become increasingly conscious not only of what we buy, but also how the goods and services we buy have been produced. Environmentally harmful production, child labor, dangerous working environments and other inhumane conditions are examples of issues being brought into the open. All companies and organisations aiming at long-term profitability and credibility are starting to realise that they must act in accordance with norms of right and wrong.” Social responsibility is a means of achieving sustainability. Adopting key social responsibility principles such as accountability and transparency can help ensure the long-term viability and success of any organization or system.

OBJECTIVES

1. To analyze the CSR status in India,
2. To have insight to what extent companies can follow the CSR
3. To throw light on CSR for Indian organization.
4. To suggest on their CSR practices and performance.

Supporting Arguments

The important arguments offered in favour of business assuming social responsibilities are as follows.

- **Response to Social Demand**: It is a well-known fact that business is set up to earn profit by producing goods or rendering services to the members of the society. Thus, the business is the creation of the society in the sense that its primary objective is to fulfill the needs of the members of the society. In case the business fails to do so, the society through people’s representatives in Government will either force them to do so through laws or may no longer permit them to survive.

- **Long-term self-Interest of Business**: There is a growing realization on the part of the enlightened businessmen that it will be in their self-interest to fulfill the demands and the aspirations of the society. People who have a good environment, education, and opportunity make better employees, customers and neighbours for business than those who are poor, ignorant and oppressed. To quote Arjay Miller: “Under current conditions, management cannot effectively discharge its long-run responsibilities to shareholders unless it also behaves responsibly towards employees, customers, government, education and the public at large. The ability of a corporation to protect and enhance the stockholders equally depends crucially upon the prosperity, goodwill and confidence of the larger community. Acceptance of a large measure of responsibility towards the community is, therefore, good business as well as good citizenship.”

- **Government Intervention**: If the businessmen do not rise to the occasion in meeting the social responsibilities, the Government will step in and make them assume such responsibilities through legislation. Such legislative regulation is expensive for business and stand in the way of flexibility and freedom in making decisions and meeting competition. Hence it would again be in the interest of business community to voluntarily undertake to fulfill the social responsibilities. In doing so the business will also retain the needed credibility with the public pressure.

- **Public Image**: The antennas of business managers are turned to the public opinion as good public opinion is a precondition to the success of any business. Therefore, they seek to maintain a proper image of their business in the public mind by assuming social responsibilities.

- **Socio-Cultural Norms**: A business operates within a set-up of socio-cultural norms and restraints. No society will allow a business to maximize its profits at the cost of the society. It requires the business to respond to social obligations. It may even report to legal means to enforce discipline among the businessmen.

- **Consciousness Among Consumers**: The consumers of today are well informed. They accept higher quality products at reasonable rates from the business. They can organize themselves in case a business resorts to malpractices such as adulteration and black marketing.

- **Strong Trade Unions**: The level of education among the workers has been increasing. They understand the need of organizing themselves into unions to advance their economic and social interests. The government has also enacted social security measures due to which it has become difficult for the business houses to ignore the interests of the work force.

Objecting Arguments

The case against assuming Social Obligations. The classical view has been against the business assuming social responsibilities. It is argued that business is an economic institution and as such its
primary responsibility is to produce goods and services efficiently and to earn profits for its owners, namely, the shareholders. Milton Friedman, a noted world economist and Nobel laureate supports the view of the classical in this regard. Friedman argues that “in a free enterprise, private property system, a manager is an employee of the owners of the business and directly responsible to them as his employers. Since stockholders want to make as much profit as possible, the manager’s sole objective should be to try to do this. If a manager spends stockholder’s money in the public interest, he is spending stockholder’s money without their approval and perhaps in ways stockholders would oppose. Similarly, if the cost of social action is passed on to consumers in the form of higher prices the manager is spending their money also. This is taxation without representation.” He further goes on to observe that “there is one and only one social responsibility of business-to-use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engages in open and free competition, without deception or fraud. Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. In addition to the observations made by Milton Freidman, some more arguments are advanced opposing the idea of business assuming social responsibilities. These arguments are as follows

1. Violation of Rule of Profit Maximization: As a businessman moves away from the simple rule of profit maximization that guides his actions into the social and political realm, he has two guides to him know what social responsibilities he should assume in the public interest. The businessmen should not try to determine what is the public interest because “the economic system is not a playground on which businessman may exercise their peculiar preferences.”

2. Less Efficient Use of Resources: The doctrine of social responsibility implies acceptance of socialist view that political mechanisms rather than market mechanisms are the appropriate ways to allocate scarce resources to alternative uses. As this process evolves, there will be an erosion of the drive to use resources efficiently and a loss of the greater productivity of the present economic mechanism.

3. Burden on Consumers: If the market price of a product does not truly reflect the relative costs of producing it, but includes costs for social actions, the allocative mechanism of the market place will be distorted. The customer will have to pay a higher price than necessary to call the goods into the market because the business is spending funds on social responsibilities.

4. Lack of Social Skills: Businessman do not necessarily have social skills. Because of this they may not able to solve social problems even though they spend a large amount for this purpose.

5. Lack of Self-Interest: There is no substitute for the power of self interest to get people to act. Assumption of social responsibilities will hinder the achievements of self interests of businessmen. Any replacement of the altruism for self-interest will, therefore, be fatal to the efficiency of the business system.

THE INDIAN CONTEXT In India, the big corporate houses like Tata’s and Birla’s have long been associated with their employee welfare and immediate community programmes by way of creating infrastructure for schools, hospitals and temples. The tradition of Tata philanthropy goes back to 1892 when Jamsetji first gave grants to two lady doctors to go abroad and specialise in gynaecology. In the next hundred years the JN Tata Endowment for the higher education of Indians was to give loans to 2000 students towards their studies abroad. The book 100 Great Modern Lives by John Canning concludes: ‘Probably no other family has ever contributed as much in the way of wise guidance, economic development and advancing philanthropy, to any country as Tatas have to India’ (Lala, 1992)

Examples of Corporate Social Responsibility in India

Tata Group- Tata Group in India has a range of CSR projects, most of which are community improvement programs. For example, it is a leading provider of maternal and child health services,
family planning, and has provided 98 percent immunization in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programs like rural health development. Tata Group also has an organized relief program in case of natural disasters, including long-term treatment and rebuilding efforts. It did laudable work during the Gujarat earthquakes and Orissa floods. It also supports education, with over 500 schools, and also is a benefactor of the arts and culture. It has done abundant work in improving the environment and local populations around its industries.

**Aptech** - Aptech a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country since its inception. As a global player with complete solutions-providing capabilities, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.

**Infosys** - Infosys is aggressively involved in a variety of community growth programs. In 1996, the company created the Infosys Foundation as a not-for-profit trust to which it contributes up to 1 percent of profits after tax every year. Moreover, the Education and Research Department at Infosys also works with employee volunteers on community development projects. The management team at Infosys continues to set examples in the area of corporate citizenship and has involved itself vigorously in key national bodies. They have taken initiatives to work in the areas of research and education, community service, rural outreach programs, employment, healthcare for the poor, education, arts and culture, and welfare activities undertaken by the Infosys Foundation.

**Mahindra & Mahindra** - At Mahindra & Mahindra, The K. C. Mahindra Education Trust was established in 1953 with the purpose of promoting education. Its vision is to renovate the lives of people in India through education and financial assistance across age groups and across income strata. The K. C. Mahindra Education Trust undertakes a number of education plans, which make a difference to the lives of worthy students. The Trust has provided more than Rs. 7.5 crore in the form of grants, scholarships and loans. It promotes education mostly by the way of scholarships. The Nanhi Kali (children) project has over 3,300 children under it and the company aims to increase the number to 10,000 in the next two years by reaching out to the underprivileged children, especially in rural areas.

As the product differentiation is becoming difficult day by day; emotional binding with the customer or the consumers provide a one stop solution in sustaining brand image of the companies. Through the eChoupal, IBD has changed the business model of commodity trading. By marrying technology with trading in rural market, IBD has brought in a new paradigm. The strategy of dealing with the end farmer directly has been very successful with both farmers and the erstwhile middlemen being co-opted (Munshi, 2009). The company now sells its wide range of consumer brands thorough eChoupal initiative. Their direct relationship with farmers opened rural market for ITC through sustained branding for many years to come. Amul’s soft advertisements on the other hand helped in creating an emotional bonding with the consumers in long run. The persistent effort on the part of Amul has helped the company in sustaining its consumers across its product range. This ultimately resulted into increased sales by means of a sustained consumer loyalty.

**CONCLUSION**

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept—Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well and get self satisfaction in return as well as societal obligation of business. Corporate Social Responsibility came a long way from just fulfilling the responsibility restricted to welfare of its immediate employees and their families. Indian
businesses have long been associated with charity and philanthropy. Today, companies are better aware about efficient use of available resources; their environmental responsibility; their commitment to the society and mother earth at large. As a result, businesses now enjoy benefits like lesser government and regulatory pressure, highly motivated workforce, customer loyalty, enhanced brand image, value-based supplier network and a favourable public opinion about company. This holistic approach to the corporate social responsibility has resulted into achieving business sustainability. To conclude it would be fit to quote Axel Sahlin’s speech given in England when prospectus for the projected iron and steel works was published by socially committed Tata’s in 1907 which shows the power of social responsibility, it reads, ‘From early morning till late at night, the Tata offices in Bombay were besieged by an eager crowd of native investors. Old and young, rich and poor, men and women they came, and at the end of three weeks, the entire capital required for construction requirement ... was secured, every penny contributed by some 8,000 native Indians.’

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