

## **Corporate Social Responsibility in India A Paradigm Shift from Earn and Serve to Serve and Earn**

**\* Keshav Kumar Singh, Research Scholar  
Department of Commerce and Business Administration,  
Lalit Narayan Mithila University, Darbhanga**

**\*\* Dr. Anil Kumar Gupta, Associate Professor  
Department of Commerce, JMDPL Mahila College,  
Madhubani, Bihar**

### **Abstract**

*Business enterprises have realised and accepted the fact that they should assume responsibility towards the society. The idea of organisational social responsiveness is the development of organisational decision processes whereby managers anticipate, respond to, and manage areas of social responsibility. It has been the experience of several business entities that the benefits of being socially responsible offset its cost. An enterprise concerns within its economic motives. This approach shall add to profits and avoid the possible cost it may have to pay for social ills caused by its irresponsible actions and behaviour. Hence, Corporate Social Responsibility denotes the way the companies integrate the general, social, environmental and economic concerns of the society into their own values, strategies and operations in a transparent and accountable manner and thereby contribute to the creation of wealth and improvement in the standard of living of the society at large. Of late, New Companies Act, 2013 has made sea level changes in corporate philosophy and thinking towards corporate social responsibility.*

**Key words:** *Corporate Social Responsibility, Earn and Serve, Environmental Concerns, New Companies Act 2013, Serve and Earn.*

### **Introduction**

Social Responsibility is inherent feature of Indian Culture. The concept of “Good Governance and Responsibility of Business” in present era termed as Corporate Social Responsibility (CSR) is not new for one of the most ancient Indian Culture. Vedic Darshan of *Sarva Loka Hitam* i.e. well-being of whole nature captures the concept of CSR. It has achieved importance again in the present time, which is full of unexpected difficulties and new hope, reflected by the effect of Globalization. In addition to above Kautilya’s philosophy that for good governance, all administrators, including the king are to be considered servants

individuality of his own. He is for the people and of the people.

Inherent in the Indian Culture the next roots of corporate social responsibility can be traced back to 1917, when Henry Ford announced that the aim of Ford Motor Company is that “To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it, and incidentally to make money” (Lee 2008).

CSR initiatives are very important in the context of business ethics (Maignan and Ferrell, 2004). During the last seven decades, several findings have caught the attention of CSR practitioners and scholars. These include studies which suggested that CSR activities provide an “insurance-like” protection when negative events happen (Godfrey et al., 2009); that CSR activities not only influence sales growth, but also influence the employment and investment domains (Sen et al., 2006); and that firms with higher CSR ratings may have a sustainable competitive advantage rooted in human capital as they attract more and better employees than firms with lower CSR ratings (Carmeli, 2005; Hunt et al. 1989; Turban and Greening, 1997). Consequently, in order to pursue sustainable development, and achieve a good reputation in this competitive market, companies are publishing their CSR disclosures and CSR reports.

### **Conceptualization of Corporate Social Responsibility**

Since the 1950s, CSR and its related terms, like corporate social responsiveness, corporate social responses, corporate social performance, corporate citizenship, & corporate philanthropy have been conceptualized and mainly originated from different disciplines of management (Carroll, 1979; Matten and Crane, 2005; Wood, 1991). Previously different scholars have explored the theme of CSR and related notions derived from various perspectives, such as social obligation, marketing, stakeholder-relation, integrated strategy, and leadership themes.

#### ***Social Obligation Driven View***

The social obligation view of CSR should be the foundation of future research. Following Bowen's (1953) book, Carroll (1979) identifies the CSR pyramid, which includes four stages of CSR development: economic, legal, ethical, and philanthropic obligations. Further, Carroll (1979) argues that “these four categories are neither mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other”. In particular, economic responsibility represents that companies are

**Carroll (1979)** opine that

- Legal responsibility means that companies should obey societal laws and regulations.
- Ethical responsibility can be described as societal expectations of business over and above legal requirement.
- Philanthropic responsibility indicates, these roles are purely voluntary, and the decision to assume them is guided only by a business's desire to engage in social roles not mandated, not required by law, and not even generally expected of businesses in an ethical sense.

Hence, this CSR pyramid embodies the four levels of social responsibilities that society expects companies to do.

### ***Stakeholder-Relation Driven View***

Theory of Stakeholder is also providing a new platform for the development of CSR theme. According to **Maignan and Ferrell (2004)**, there are two main motivations of organizational CSR activities concerning stakeholder-relations:

1. **The Instrumental Approach:** As companies rely on stakeholders for their continuous support or providing resources (**Barney, 1991**), managers have to consider the claims and needs from stakeholders.
2. **The Moral Perspective Approach:** **Donaldson and Preston (1995)** argue that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and there is no prima facie priority of one set of interests or benefits over another”.

### ***Integrated Strategy Driven View***

Many scholars examine the CSR issues from the integrated strategy aspect (e.g., **Baron, 1995**). For instance, **Maignan and Ferrell (2004)** point that “organizations act in a socially responsible manner when they align their behaviours with the norms and demands embraced by their main stakeholders” and they illustrate a framework to analyze the antecedents and outcomes of organizational CSR behaviour from the perspective of major stakeholder. Some scholars have given the new dimension to integrated corporate activities in political context and argue that “practioners need to pay more attention to the ethical aspects of their subject & if they will fail then it will weaken the community conceptually and thereby undermine its credibility and legitimacy” (**Lawton 2011**).

The different current leadership styles like transformational, charismatic, authentic, ethical, participative, servant, shared, and spiritual leadership has directed some scholars to incorporate CSR into leadership theory (Bass and Steidlmeier1999; Waldman and Galvin 2008). Maak and Pless's (2006) study is one of the first Endeavour in this area. They name the leadership approach based on the ideals of CSR as "responsible leadership" and define it as "the art and ability involved in building, cultivating and sustaining trustful relationships to different stakeholders, to achieve a meaningful, commonly shared business vision". In the nutshell, the exploration of CSR starts with some scholars and practitioners who notice that the aims of companies are not only to make profit, but also to consider social obligations and benefits to society. The evolution of the theme CSR has promoted leadership theory development and has produced a new concept of responsible leadership. The investigation of this CSR-related leadership is at the very initial stage and there are many gaps to be filled, such as the structure and measurement of this leadership style.

### **Nature of Corporate Social Responsibility**

The nature of social responsibility can be understood as follows:

- **Focus on business firms:** Though business and non-business organisations must be equally involved in discharge of responsibilities towards society, the focus is more on business firms to look after the social interest.
- **It deals with the moral issues:** Companies have specified policies and programmes for looking after the interests of their employees and non-employees. These programmes emanate from the need to do what is right and just for the society as a whole.
- **It is commensurate with the objective of profit maximization:** Social goals are fulfilled by the organisations when they are economically sound. A financially unviable enterprise cannot look after the interests of society. In fact, the increased costs of social responsibility are passed on to consumers in the form of increased prices of goods and services.
- **It is a pervasive activity:** Social responsibility is not only the obligation of top level managers. Managers at all levels must involve in discharging of social responsibilities.
- **It is a continuing activity:** Social responsibility is not catering to the interests of society once or twice. It is important for the organisations to continuously

long run. The economic and the social issues, in fact, go hand in hand.

### Levels of Social Responsibility

A hierarchy of the extent to which business units discharge social responsibilities is developed by R. Joseph Mosen, Starting from the lowest level, there are four levels of hierarchy:

- I. **Obedience of the law:** Managers feel they are discharging social responsibility by merely obeying the law.
- II. **Catering to public expectations:** Social responsibility goes beyond merely obeying the law. In addition to abiding by legal framework of the country, social responsibility also caters to public expectations from the business enterprises (for example, providing job opportunities, quality goods, controlling pollution etc.).
- III. **Anticipation of public expectations:** At a still higher level, business firms not only fulfil what society expects from them but also anticipate needs of the society and devise programmes to fulfil those needs.
- IV. **Creation of public expectations:** At the highest level of hierarchy, managers not only cater to public demands but also set standards of social responsibilities and want the society to be benefited by those standards.

Business enterprises are moving from lower to higher levels of this hierarchy.

### Historical Perspectives of Social Responsibility

Expectations of society from business firms as regards corporate social responsibility have gone through three phases:

1. **Profit maximisation:** Historically, public viewed business enterprises as institutions which mainly looked after the interests of their owners. Social responsibility was discharged to the extent of maximising profits within the legal framework of the country.
2. **Trusteeship management:** During later years, the concept of social responsibility got widened from mere satisfaction of owners' interest to the interests of other stakeholders also, like employees, consumers, creditors etc. Providing good working conditions, goods of the right quality and quantity, timely repayment of loans to creditors etc. were viewed as essential aspects of

holding it in trust for the welfare of society.

3. **Quality of life management:** A still wider perspective of social responsibility developed in 1960s. It viewed business enterprises as institutions to remove social ills and promote upliftment of society. Business enterprises were supposed to change the quality of society.

### **Philosophical Perspectives of Social Responsibility**

Similar to historical perspectives, there are three phases of philosophical perspectives of social responsibility:

1. **Traditional philosophy:** Similar to the profit maximisation phase, the traditional philosophy defines social responsibility as producing goods and services for society at low cost. Economist, Milton Friedman is a pronounced advocate of this philosophy. According to him, since business enterprises use shareholders' money, they should optimally utilise it to give them a reasonable return on their capital. Looking after the interests of shareholders is the main responsibility of business according to traditional philosophy. Social problems have to be dealt by the Government rather than business enterprises.
2. **Stakeholder philosophy:** It is an extension of traditional philosophy. According to this philosophy, similar to trusteeship management, business enterprises must broaden their scope of social responsibility to look after the interests of shareholders along with other sections of society such as, consumers, Government, labour unions, suppliers etc. This is important for long-run survival of the firms even if it results in losses in the short-run.
3. **Affirmative philosophy:** Similar to the third phase of historical perspective (quality of life management), the affirmative philosophy aims at broadest spectrum of social responsibility. It holds that managers are responsible to promote mutual interests of the firm and its stakeholders, including the general public.

Not only should managers cater to present needs of the society, they should also anticipate their future needs and integrate needs of the society with needs (goals) of the organisation.

When companies assume social responsibility, they discharge it in three phases/stages as described by Robert Ackerman:

**Phase 1:** Top executives are aware of the social problems and solve them through oral or written commitment.

**Phase II:** Top executives consult staff specialists or hire additional staff specialists to frame plans to discharge social responsibilities. The staff specialists analyse the environmental conditions, prepare a technical and informational groundwork and design data system responsive to social system.

**Phase III:** Top executives integrate social goals with organisational goals. Staff specialists apply the data system to perform social activities and divisional managers commit resources to organisational procedures and policies to increase social responsiveness.

### **Approaches to Social Responsibility**

Ranging from lowest to highest degree of socially responsible practices, four approaches to social responsibility are discussed below:

1. **Social obstruction:** Though few in number, firms which follow this approach to social responsibility do the least possible to solve social problems. They oppose the concept of social responsibility and do not consider the consequences of business decisions on social environment.
2. **Social obligation:** Though a step ahead of social obstruction, socially obliged firms discharge social responsibility to the extent that avoids Government interference. The organisation does everything that is legally required of it. A cigarette manufacturing company, for example, prints 'Cigarette smoking is injurious to health' on the cigarette packets but despite the product being harmful for health, it does extensive research to promote its sale.
3. **Social response:** A step further ahead of social obligation, firms perform legal, ethical and social obligations only if they are asked to do so. They do not seek socially responsible activities on their own. Donations to charitable institutions for a social cause are an example of social response. Companies make donations when they are approached by these institutions. It is, thus, discharging social responsibilities in response to demand.
4. **Social contribution:** Socially responsive firms which favour the concept of social responsibility follow the social contribution approach where they seek opportunities

they can be of help to the society. Granting scholarships and opening career counselling centres are the common examples of social contribution approach to social responsibility.

All these approaches are not distinct in nature. They lie on a single continuum. Firms may follow two or more approaches at different points of time.

### **Governmental CSR Initiatives**

In the year 2014, the Govt. of India identified ten major areas under the category of CSR which include education, gender inequality, environmental sustainability, national heritage, Prime Minister Relief Fund, eradicating hunger, poverty, malnutrition and promoting preventive healthcare, promoting sanitation and ensuring safe drinking water. Under the New Companies Act, mid and large companies have to spend 2% of their three years annual average net profit on identified CSR activities. Under this Act companies can also claim deduction towards depreciation on assets created for CSR purpose and expenditure on skill development projects. This deduction on tax specifically allowed under section 30 to 36 of the Income Tax (IT) Act 1961. The CSR rules issued by MCA (Ministry of Corporate Affairs) read with the MCA circular during the month of June 2014. For example: if a firm installed water purifier in a educational institution at various places, it could claim expenditures on repairs, maintenance and insurance etc. According to the industry estimate around 8,000 companies were expected to come under the ambit of the new CSR regulations of Govt. of India. The annual CSR funding by companies was expected to be in the range of Rs. 15,000-20,000 crore. The highest CSR spend by Indian conglomerate, the Tata Group spent Rs. 1,000 crore on CSR in 2013-14 which was well above of the 2% of its net profit. A significant amount of the total CSR spend by Tata Group has gone into skill development, health and education. Among other Indian conglomerates, the \$40 billion Aditya Birla Group spent Rs. 200 crore on CSR in fiscal year 2014, which was 2% of the net profit. The group's CSR activities include community initiatives and rural development. The Godrej Group is also among conglomerate that runs their philanthropies activities through trusts. About 25% of the shares of the Godrej Group holding company Godrej and Boyce are held in a trust that supports initiatives in education, healthcare and environmental sustainability. Apart from the trust, Godrej and Group companies spent around Rs. 18 crore on CSR under the "Good and Green" initiative, which is more than 2% of the net profit.



The key question is whether business enterprises that bear maximum social responsibilities are financially successful. Social researchers attempted to answer this key question and conclude with largely on mixed results. The core problem during attempted is the difficulty of accurate meaning of CSR in quantitative term, and hence it is concluded that there is no clear relationship exists between social earning and financial performance, at least in short run. However, in the long run firm's financial performance may ensure better CSR. The only possibility is that, higher the financial performance higher will be the ability and willingness to engage in CSR.

It is perceived that risks are reduced through better financial performance. Thus, financial success ensures fairly high level of CSR. Better financial performance can be achieved through innovative and need based business tactics with high empathy towards individual human, social and global needs. A perfect interface with these needs can change the rules of the game and eventually make better business sense towards CSR. Thus, a much needed paradigm shift is "Serve and Earn" instead of "Earn and Serve".

CSR must be an important ingredient of the corporate intents since inception. While strategically thinking about the corporate financial intents, corporate leaders must seek the fundamental question "What do Society Needs?" CSR offers an important source of inspiration in development of new models for prosperity in long term.

## **Conclusion**

This world is having number of problems existing in the triple bottom line i.e. in environment & society. We can consider corporate social responsibility as a device to sort out these problems up to some extent because business is running in the society, by exploiting the different resources. In the trusteeship Mahatma Gandhi has also defined business is the part of society so it must fulfil the social responsibilities. Social Responsibility is an obligation to the planet & people living inside and outside the business organizations. Any business is having number of contacts in the society such as owners, employees, customers, government, suppliers, environment etc. The obligations of business, includes satisfaction to these parties with its owner, is called corporate social responsibility of business. In present scenario, the society as well as media is increasingly requesting the companies to consider social and environmental problems while operating their business activities. Now, CSR has become one of the major issue of new millennium across the world and the corporate as well as government must take care of it. The Government has taken an initiative by incorporating the

to allocate 2% of their net profit in CSR activities. This initiative is an important step for controlling those business activities which makes a harmful effect on the society. CSR typically includes issues like business ethics, community engagement, global warming, water management, human dignity & rights etc. Hence, in order to sustainability and to survive in this mechanistic world, the organizations need to demonstrate a strong relationship with the society.

### **References:**

1. Bhatia, A and Chander, S (2014), *Corporate Social Responsibility Disclosure by SENSEX Companies in India*, *Management and Labour Studies*, Vol.39, No.1, pp. 1-17.
2. Biswas, U. A., Garg, S and Singh, A. (2016), *Examining the Possibility of Achieving Inclusive Growth in India Through Corporate Social Responsibility*, *Asian Journal of Business Ethics*, Vol.5, No. 1 & 2, pp. 61-80.
3. Ghosh, S. (2015), *Communication of Corporate Social Responsibility Activities by Private Sector Companies in India: Research Findings and Insights*, *Metamorphosis*, Vol. 14, No. 2, pp. 30-50.
4. Gupta, S (2011), *Consumer Stakeholder View of Corporate Social Responsibility: A Comparative Analysis from USA and India*, *Social Responsibility Journal*, Vol.7, No. 3, pp. 5-16.
5. Jain, R and Winner, L H (2016), *CSR and Sustainability Reporting Practices of Top Companies in India*, *Corporate Communication: A International Journal*, Vol.2, No.1, pp. 36-55.
6. Kumar, Arun (2015), *CSR-A Paradigm Shift for Sustainability and Growth*, *COMDEX Times- A Monthly Journal on Management Ideas*, Vol. XXI, No. 7, July, pp. 6-9.
7. Sai, P S (2017), *A Comparative Study of CSR Practices in India before and After 2013*, *Asian Journal of Management Research*, Vol.7, No.3, pp. 242-255.
8. Saxena, Sanjeev and Pandey, Punam (2007), *Politics, Ethics and Social Responsibility of Business*, *Taxmann Allied Services Pvt. Ltd.*, New Delhi.
9. *The Companies Act, 2013*.
10. Wankahde, Vivek (2014), *Analysis of Corporate Social Responsibility Spending of the Indian Companies*, *Abhinav-International Monthly Referred Journal of Research in Management and Technology*, Vol. 3, No. 4
11. [www.mca.gov.in](http://www.mca.gov.in)