

Management Models and the Role of Corporate Social Responsibility (CSR) in India

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ABSTRACT

Corporate social responsibility (CSR) is a way of evaluating how business and economic systems are interrelated in order to focus on social and environmental issues in addition to commercial objectives and push businesses to balance financial profitability, They have legal obligations toward their neighbors in the shantytowns or where they are based, as well as economic and social aims. Corporate social responsibility (CSR) refers to an organization's obligation to reduce any unfavorable social and environmental effects it may have.

Keywords: management, models, csr

I. INTRODUCTION

The World Business Council for Sustainable Development (WBCSD) had also defined CSR as a continuing commitment by corporate to behave ethically, responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as the neighbours and society at a large. It is also defined by Investopedia as a “corporate initiative to assess and take responsibility for the company’s effects on the environment and social welfare”. Most of the scholars have also stated CSR is also an ethical intervention in social life and it basically denotes the interface among POLITY, ECONOMY and SOCIETY. Some of the CSR led activities are also mentioned among the MDGs especially GOAL 7 which ensures environmental sustainability which have to be achieved by 2015. It also expresses a voluntary commitment of the companies to behave responsibly to their surroundings within three pillars: ECONOMIC, SOCIAL and ENVIRONMENTAL one.

II. BACKGROUND OF CSR:

While CSR is a recent term, but the preoccupation with business ethics and the social dimensions of business activity has a long history. Business practices based on moral principles and ‘controlled greed’ were advocated by Indian Statesman and Philosopher Kautilya in the fourth century B.C., while his western equivalents such as Cicero² in the first century B.C. The concept of corporate social responsibility (CSR) has appeared in the 50s of the 20th century. For the management of a company it could be a way how to build relationships with partners leading to improve reputation and the credibility of the company.

The modern precursors of CSR can be traced back to the nineteenth-century boycotts (against the white collar crime)³ of foodstuffs produced with slave labour, the moral vision of business leaders such as Cadbury and Salt, who promoted the social welfare of their workers, and the Nuremberg war crimes trials after the Second World War, which saw the directors of the German firm I. G. Farben found guilty of mass murder and slavery (Ciulla 1991; Pegg 2003; Sekhar 2002).

From a historical perspective, CSR is simply the latest manifestation of earlier debates as to the role of business in society. What is new, according to Fabig and Boele, is that ‘today’s debates are conducted at the intersection of development, environment and human rights, and are more global in outlook than earlier in this century or even in the 1960s’ (Fabig and Boele 1999). While the role of business in society seems to have been changing for some time, there is no agreement among observers on what CSR stands for or where the boundaries of CSR lie. Different people have interpreted CSR differently.

For example, CSR means different things to practitioners seeking to implement CSR inside companies than to researchers trying to establish CSR as a discipline. It can also mean something different to civil society groups than to the private sector. The responsibilities of companies in developing nations are also defined differently depending on the social –

especially national – context; for instance, CSR among Malaysian firms is partly motivated by religious notions and Islam's prescriptions of certain business practices.

III. PROBLEMS OF CSR

Historically, Islam and the Medieval Christian Church (catholic social thought) publically condemned certain business practices, notably usury. During the literature review I found that in India the existing CSR practices are far behind to achieve its goals and then the question arises that why we need CSR4?

And what in real terms CSR is? Is it a mismatch between the policy and the needs of the gross root? In the new Companies Act 2013, under section 135, the mandatory 2% CSR expenditure is both unique and controversial provision. Unique as no other country had CSR spending mandate by law.

Controversial because many of the reformers believe that the roughly estimated 15000 CSR spending from corporate India would be misused.

IV. LEGAL BACKGROUND OF CSR IN INDIA

CSR was first enacted in 1967 and the Companies Act has undergone some 17 rounds of amendments. India has had a long tradition of corporate philanthropy and industrial welfare which is in practice since late 80's. Government of India had not defined CSR, infact they recast it as responsible business initiative in a voluntary protocol for firms released on July 8, 2011 by the Union Minister of Corporate Affair. In 2013 Government of India amended the Companies Act and formulated the Companies Act 2013. To enable the implementation of Corporate Social Responsibility activities, which, since April 2014, became mandatory for the wealthiest companies in India with certain legal obligations against the CSR expenditure of Corporate India which are presented under:

- [1] The Board's report under sub-section (3) of section 135 shall disclose the composition of the Corporate Social Responsibility Committee.
- [2] Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year should invest two percent as CSR activities and shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director including one female director.
- [3] The Board of every company referred to it in sub-section (1) which will ensure that the company spends at least 2% of the average net profits of the company in every financial year made during the three immediately preceding financial years. It is also mentioned that the company will give preference to the local area where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. It is further provided in the Act if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 135, specify the reasons for not spending the amount.
- [4] The most unusual thing mentioned under the section 182 in the newly companies act 2013 is that there is a provision for corporate contribution to political parties up to 5% of their net profit against 2% for CSR activities.

V. MOTIVE BEHIND CSR INVESTMENTS

What is particularly lacking is a general explanation as to why and how firms engage in CSR. Why do some companies display greater willingness to engage in CSR than others? Why do the same companies have different CSR policies in different countries? Why do some companies engage in CSR even if there is little external pressure to do so? Why the apex corporate governing bodies are asking for the tax rebate against their CSR budget? Why the corporate India is against the compulsion that only a three year old NGO or Self Help Group receives charity from corporate and they want to relax in the events that a foundation or NGO belongs to a particular reputed industry organisation and in last do the corporations are naturally and "pathologically selfish" in their pursuit of profits (Enjoying Tax holiday and make over of their social image).

Corporate social responsibility is not the act of balancing an ethical checkbook. Donating corporate profit to a charity means very little if that profit was attained by causing significant harm to the lives of people and the environment. Do the corporate India is Quantifying the Voluntary work of their employees? CSR is one of the 'umbrella' labels that has recently gained popularity. Many of the emerging issues are being addressed under this label (Jan Jonker 2006). Given the problem of encompassing different viewpoints in one inclusive definition of CSR, Blowfield and Frynas (2005) have proposed to think of CSR as an umbrella term for a variety of theories and practices.

VI. LITERATURE ON CSR STRATEGIES

Hundreds of academic papers have been published on CSR, but there is no consensus on how to explain the rise and direction of CSR, and there is no agreement on how CSR should be studied. The emergence of CSR has been explained as a consequence of the actions or inaction of governments and changing global governance (Jenkins 2005; Moon 2004) the spread of global communications and greater scrutiny of corporate activities by non-governmental organisations (Fabig and Boele 1999; Spar 1998); and globalisation and a changing economic environment (Korhonen 2002). However, the company responses to these global trends have been differently interpreted. Lockett et al. (2006) have argued that the CSR field is becoming more established and distinctive, however, this does not indicate any emergence of a Kuhnian normal scientific paradigm and that 'CSR knowledge could best be described as in a continuing state of emergence'. There is no accepted theoretical perspective or research methodology for making sense of CSR activities. Indeed, most scholars study CSR without any reference to a given theoretical perspective, and it has been found that CSR research is not driven by continuing scientific engagement but by 'agendas in the business environment'.

VII. CONCLUSION

The literature review led to the conclusion that corporate social responsibility (CSR) is a corporate liability based on the welfare-ism value, which states that CSR is sharing the STATE's hand in their development programs and also benefits the corporate in the repair of their social reputation.

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