

CORPORATE SOCIAL RESPONSIBILITY IN INDIA: CONCEPTUAL FRAME WORK FOR IMPLEMENTATION

SHREYES KRISHNAN

M.com., PGDBA PGDMM., Ph.D

*Assistant Professor, Department of Commerce,
Shri Adi Chunchanagiri Arts and Commerce College, Nagamangala*

Dr. Preetham. D

M.Com, PGDFM., Ph.D

*Assistant Professor, Department of Commerce, Maharani's Women's Commerce and
Management College, University of Mysore, Mysore*

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

In Europe and India as early as the eighteenth and nineteenth centuries, businessmen's religious and ethical convictions showed themselves in socially responsible activities (Mohan 2001) In the 1950s, the role of business in society was first debated in the United States. Many regard Bowen's book 'Social Responsibilities of the Businessman' (1953) to be a significant addition to the debate on CSR (Carroll 1999). In the 1970s, there appeared to be a growing consensus on how to understand CSR. Carroll emerged as the most prominent and authoritative voice in the expanding debate on CSR, thanks to his widely accepted four-part approach. According to Carroll (1998), the economic component encourages businesses to do well financially and accomplish their goals. The legal component necessitates that they carry out their economic goal within the confines of the law.

Businesses must follow society's moral laws, according to the ethical component. The final element is benign and charitable in nature. In the 1970s, Milton Friedman questioned the purported social function of firms in an article titled "The social obligation of business is to enhance its profits." Criticizing the concept of social obligations, he claimed that businesses were not human and hence could not bear moral responsibility for their acts.

Until a business is conducted inside the legal framework of the society, its managers' sole job is to produce a profit, as this is the reason for which the company was founded and its managers were hired. Managers should not and cannot decide what is in the best interests of society; this is the government's role (Friedman 1970).

This logic was reaffirmed in the 1970s, stating that provided a corporation operated efficiently, complied with labour, safety, and environmental rules, did not engage in corruption, and paid its taxes in the country where the income originated, it had no further societal responsibilities.

REASONS FOR CSR IMPLEMENTATION IN PRACTICE

Many CSR practises were not previously recognised to be actual business duties of a particular company. Organizations are embracing the idea that CSR activities, policies, processes, and procedures are noteworthy and should be implemented for the benefit of not only corporations' reputations and profits, but also for the benefit of employees, customers, and the community at large in the current economic and social climate. CSR humanises the organisation in ways that other aspects of the work cannot; it portrays the corporation as a contributor to society rather than as a profit-driven institution (Bhattacharya, Sen, & Korschun, 2008, p. 37).

Customers, suppliers, and employees, among others, are clamouring for more information about how firms are run. Companies are being pushed to adapt in response to the growing public demand for better working conditions, environmental stewardship, and ethical issues. Companies have formed CSR programmes for two reasons, according to Fuentes-Garcia, Nunez-Tabales, and Veroz-Herradon (2008):

(1) the idea of social awareness is acknowledged globally; and
(2) the focus on companies with CSR activities as a basis for customer purchasing decisions. As a result, companies are responding to the new social demands of their interest groups by implementing corporate citizenship actions, which include all of their environmental and safety, as well as social activities that go beyond simple economic interests and break away from the traditional image of a company that is solely focused on generating value for its shareholders (Fuentes-Garcia, Nunez-Tabales, & Veroz- Herradon, 2008, p. 27).

A global backlash against corporate incompetence and scandal has also widened the area of accountability and ethical thought (Sims & Brinkmann, 2003). The Sarbanes Oxley Act was enacted in response to incidents like the Enron scandal, which now holds accounting departments considerably more accountable for ethical decisionmaking (Prawitt, Sharp, & Wood, 2013). While legislation is a beginning in the right direction, the concept underpinning CSR is that legal statutes can only go so far, and that simply meeting legal responsibilities is insufficient.

The organisation must adopt a feeling of good for the benefit of its stakeholders as a core aspect of its culture, which must be conveyed down from top to bottom on a continuous basis, comprising both realistic and systematic goals for responsibility

CSR ACTIVISTIC BENEFITS

The financial benefits of CSR are becoming more obvious. While the term "corporate social responsibility" has become a popular buzzword, it has also become associated with annual financial reports from corporations, and in many cases, these business activities actually enhance earnings and public perception. The term "triple bottom line" has been associated with corporate citizenship, which focuses on integrating social, environmental, and economic company operations and performance (Glade, 2008). Individuals, the environment, and profit are all covered by the triple bottom line: people who engage in unbiased and community-beneficial actions; the environment, which benefits from such practises; and profits, which encompass the organization's and society's internal and external economic implications (Glade, 2008).

Consumers and future customers are thus the key goals of a company's CSR operations from the standpoint of stakeholders. According to research, CSR and consumer views about the company and its products have a beneficial association (Sen & Bhattacharya, 2001). CSR can add value to a company's products in three ways: It can boost a company's perceived product value, provide it a favourable corporate brand/identity, and reduce external views of social irresponsibility. Customers take the firm's CSR efforts into account when making a purchasing choice, hence CSR adds value to the product. Consumers are willing to spend more for a company's product with considerable CSR, according to previous studies (Bhattacharya & Sen), Other research has found that, while some consumers are unwilling to pay greater costs, they are more likely to buy things from companies that are considered to be more socially responsible (Servaes & Tamayo, 2012). As a result, socially responsible actions will enhance demand for a product (Baron, 2001).

CSR actions have been seen as an indicator for good product quality, in addition to direct purchasing value for a product and/or service. Firms that are simply motivated by profit, on the other hand, may have an incentive to cut shortcuts and offer inferior products (Servaes & Tamayo, 2012). According to McWilliams and Siegel (2001), CSR establishes a reputation for a company's dependability and trustworthiness, leading consumers to believe that its products are of higher quality than those of companies that do not engage in CSR. Furthermore, customers hypothesise that these companies regard CSR investments to be costly, and that they will seek out competitive companies that value CSR since they are perceived to have higher-quality products (Fernandez-Kronz & Santaló, 2010). Finally, especially in highly competitive businesses, CSR can provide value through product differentiation. For example, if two companies produce identical products but one adds a social benefit, buyers will value this aspect (Orlitzky, Siegel & Waldman, 2012). Because CSR can be considered a product aspect, these actions are another technique to raise consumer awareness and improve product quality and perceived company value.

The second significant benefit of CSR is that it can increase the value of a company by establishing a positive corporate brand. The visual, verbal, and behavioural representations of an organization's unique business model are all part of a corporate brand (Vallaster, et al., 2012). A company's brand should be a public representation of its values, characteristics and principles that distinguish the company from its competitors. As a result, a company may utilise CSR to associate itself with a certain cause while also enhancing its own identity.

Through CSR activities, firms can display their internal values, concerns and overall attitudes toward preserving the environment, maintaining positive work conditions, and going beyond what is expected of them. In short, investment in CSR is evidence of a firm's reliability and honesty which positively impacts brand value (Melo & Galan, 2012). Lastly, CSR is essential for every company because a perception of social irresponsibility can have severe negative consequences for a firm. In short, an organization's success is dependent upon its ability to satisfy normative expectations (Lange & Washburn, 2012).

THE SATYAM SCANDAL IS THE COUNTRY'S BIGGEST CORPORATE GOVERNANCE FAILURE ?

This case is also known as the Enron Debacle in India. On January 7, 2009, the country's corporate governance paradigm shifted forever, causing astonishment among shareholders, government officials, regulators, and analysts.

2) The head of the country's fourth largest IT exporter, Satyam Software Services Ltd., confessed to a gigantic fraud of over 7000 crores, leaving the entire nation wondering if their hard-earned money is safe.

3) It was the most serious case of Corporate Governance Failure, revealing serious flaws in the company's accounting and auditing methods, as well as the inefficiency of a system that relies on an independent board of directors to oversee the company's operations.

4) Satyam had six independent directors on its Board of Directors, all of whom had impeccable credentials, but none of them ever questioned the chairman's actions, especially when it came to detecting the massively concealed fraud in the books of accounts, which was not discovered until the chairman himself spilled the beans. The CBI, SFIO (Serious Fraud Investigation Office), and the Securities Exchange Commission of the United States (SEC) conducted investigations, and key audit partners of worldwide audit company Price Waterhouse Coppers were imprisoned as a result of their involvement. Satyam's board was replaced by government-appointed nominees, who were able to clear the situation by passing over the contaminated company's activities to Tech Mahindra in a global bidding procedure.

5) The Satyam episode exposed a slew of corporate governance flaws, including unethical behaviour, insider trading, fraudulent accounting, the dubious role of auditors and the Audit Committee, an ineffective board of directors handpicked by the promoter, the failure of independent directors, non-disclosure of promoter pledging of shares, and so on.

REASSESSMENT OF IMPLEMENTATION OF CORPORATE GOVERNANCE IN INDIA

In 2009, the CII organised a task force led by former cabinet secretary Naresh Chandra, which issued a report outlining a set of voluntary recommendations with the goal of raising corporate governance standards in the country. The National Association of Software and Services Companies (NASSCOM) also established a Corporate Governance and Ethics Committee, which is led by Mr. N. R. Narayana Murthy, a pioneer in Indian corporate governance reform. In mid-2010, the Committee released its recommendations, which focused on stakeholders, the audit committee, whistleblower policy, and shareholder rights.

2. SEBI indicated in November 2009 that the Listing Agreement would be amended to address disclosure and accounting concerns. These changes were implemented by SEBI in early 2010. In March 2012, the Ministry of Corporate Affairs formed a committee under the chairmanship of Mr. Adi Godrej, Chairman of Godrej Industries Limited, to draught a corporate governance policy document. The Committee published its statement in September 2012, outlining seventeen corporate governance guiding principles.

THE STAGES OF IMPLEMENTATION OF CSR IN INDIAN COMPANIES

implementation of the CSR concept	Scale of responsibility in public entities	Range of responsibility in public entities
Introduction	Avoiding any responsibility	Lack of understanding of one's role in the decision-making process
Legal solutions in force	Negative responsibility	Fulfillment of legal criteria creates awareness.
The use of ethical principles as a determining factor in communication procedures	Negative responsibility	Consciousness of the legal ramifications imposed by the current legislation
Understanding CSR principles is the first step toward establishing complex relationships with stakeholders.	Mixed responsibility, as well as public institutions' understanding of their social responsibilities, is growing.	Legal obligations impose a range of responsibilities (taking into account social impact)
The significance of social interaction in long-term development	Positive responsibility means that management personnel are aware of the needs of the environment, which is reliant on them.	In the functioning of public bodies, selectivity of socially desirable aims is important.
Long-term profitability and socially responsible action	Positive responsibility is taken into account, and the impact on the environment is factored into the operations.	Acceptance of voluntary responsibility — they knowingly and willingly carry out activities that improve the environment.

(Source: Social Responsibility As The Factor Of Competitive Advantage Of Public Entities; Human Resources Management & Ergonomics; Volume Viii; 1/2014)

SCHEDULE VII REQUIRES EXPENDITURE FOR THE ACTIVITY BELOW:

- a) eradicating hunger, poverty, and malnutrition, encouraging preventive health care and sanitation, and providing safe drinking water are just a few of the goals.
- b) Promoting education, including special education and employment-enhancing vocation skills, particularly among children, women, the elderly, and the differently abled, as well as livelihood improvement initiatives
- c) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources, and maintaining the quality of soil, air, and water; establishing homes and hostels for women and orphans; establishing old age homes, daycare centres, and other facilities for senior citizens; and measures to reduce inequalities faced by socially and economically backward people.

- d) assuring environmental sustainability, ecological balance, flora and wildlife protection, animal welfare, agroforestry, natural resource conservation, and soil, air, and water quality;
- e) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts,
- f) Measures for the benefit of armed forces veterans, war widows and their dependents;
- g) training to promote rural sports, nationally recognised sports, paraolympic sports and Olympic sports;
- 8) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- h) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government,
- i) Rural development projects,
- j) Slum Area Development

FRAMEWORK OF THE CORPORATE SOCIAL RESPONSIBILITY UNDER THE COMPANIES ACT, 2013.

CA13 has been driven by CSR in order to close the gap in inequality and fulfil numerous social commitments that demand a certain amount of capital and other resources. CSR is essentially a responsibility to the nation as a whole, with the goal of preventing the advantages from being restricted to a select group of customers or shareholders. It is a legal obligation that a corporate organisation bears to solve the plethora of socioeconomic and environmental issues facing the country.

Although successful implementation of CSR will undoubtedly add to the nation's splendor, some have questioned the need for such duties in a country like India, where the government's policies are primarily geared toward achieving socioeconomic equality and progress. The reasons for imposing such obligations appear to be twofold: first, the long-standing issues of socioeconomic inequality and environmental concerns have proven to be chronic, and second, previous efforts have clearly demonstrated that greater participation is required to address the root causes of such issues. Bringing the corporate world into the fold of social and economic obligations would benefit both the masses and the corporations.

IMPLICATIONS OF COMPANIES ACT, 2013 CORPORATE SOCIAL RESPONSIBILITY

The Companies Act, 2013 ('2013 Act'), which received the Hon'ble President's assent on August 29, 2013, has the potential to be a historic milestone because it aims to improve corporate governance, simplify regulations, protect the interests of minority investors, and legislate the role of whistle-blowers for the first time. The new law will replace the Companies Act of 1956 ('1956 Act'), which is approximately 60 years old. The 2013 Act gives us a chance to catch up and modernise our business regulations, as well as a chance to make our corporate regulatory framework a model for other economies with similar features..

The 2013 Act is more of a rule-based legislation, with just 470 parts, which indicates that rules will make up the majority of the legislation. The 2013 Act has over 180 provisions in which

rules are specified, and the MCA released the draught regulations in three batches. It is commonly believed that the 2013 Act, as well as the rules that accompany it, will provide for progressive implementation of the provisions, and as a result, 98 sections of the 2013 Act have been notified, and the equivalent section of the 1956 Act has been repealed.

The 2013 Act has various requirements that will alter the way Indian corporations conduct business, one of which is spending on corporate social responsibility (CSR) programmes. Corporate social responsibility (CSR), which was formerly mostly voluntary, is now enshrined in legislation. In this bulletin, we highlight the major requirements, analyses, and issues connected to the compliance of these regulations for companies to consider, based on the CSR provisions set forth in the 2013 Act and the draught CSR rules made available for public comment.

CSR IN INDIA NOW

CSR is defined by the World Business Council on Sustainable Development as "a commitment by businesses to contribute to long-term economic development by collaborating with employees, their families, the local community, and society at large to improve people's quality of life." Corporate social responsibility can be defined as a company's ethical remuneration to society.

Indian society is characterised by a strong sense of community. In some form or another, CSR has always been a component of Indian business. CSR was affected by culture, religion, family customs, and industrialization at first. Some of the most well-known commercial and industrial families, such as Tata, Birla, Godrej, and others, pioneered the concept of corporate social responsibility (CSR) in terms of charity and philanthropy.

With the opening of national and global companies, India, as a fast-growing economy, is booming. At the same time, India faces social challenges such as poverty, population growth, corruption, and illiteracy, among others. As a result, it is all the more important for Indian companies to view CSR in the right light in order to create and facilitate an environment of equitable partnership between civil society and business.

REFERENCES

- A Conceptual Framework of Corporate Social Responsibility in India, Grant Thornton (2013).
- A Critical Perspective On Corporate Social Responsibility: Towards A Global Governance Framework; Cass Business School, City University London, London, UK).
- A Review Of Corporate Social Responsibility In India; Article In Development · September 2004 Impact Factor: 6.27 · Doi: 10.1057/Palgrave.Development.1100057 · Source: REPEC.
- An Analysis on Consumer Perception towards Corporate Social Responsibility Practices in Salem City; Proceedings of the Second International Conference on Global Business, Economics, Finance and Social Sciences (GB14Chennai Conference) ISBN: 978-1-941505-14-4 Chennai, India 11-13 July 2014 Paper ID: C4107.
- Challenges Of The Corporate Social Responsibility Practices In Developing Countries;
- Companies Act, 2013 – A New Wave Of Effective Regulation And Corporate Governance In India; International Journal Of Advancements In Research & Technology, Volume 3, Issue 7, July-2014.

- Corporate Responsibility And The Business Of Law; Globalt Ansvar; Swedish Partnership For Gloopal Responsibility
- Corporate Social Responsibility (CSR): The Role Of Internal Communication And Employee Engagement;
- Corporate Social Responsibility A Role In Government Policy And Regulation?; The University Of Bath School Of Management.
- Corporate Social Responsibility And Businesses: Examining The Criteria For Effective Corporate Implementation Utilizing Case Studies; International Journal Of Business And Social Science Vol. 5 No. 3; March 2014.
- Corporate Social Responsibility And Businesses: Examining The Criteria For Effective Corporate Implementation Utilizing Case Studies; International Journal Of Business And Social Science Vol. 5 No. 3; March 2014.
- Corporate Social Responsibility In Developing Economies: Organisation, Communication And Activity Dimensions Of Local Large Firms In Kenya And Tanzania, East Africa.
- Corporate Social Responsibility: An Issues Paper By Working Paper No. 27 Michael Hopkins; Policy Integration Department World Commission On The Social Dimension Of Globalization International Labour Office Geneva May 2004.
- Corporate Social Responsibility: An Issues Paper Working Paper No. 27 Michael Hopkins Policy Integration Department World Commission On The Social Dimension Of Globalization International Labour Office Geneva, May 2004.
- Corporate Social Responsibility: An Issues Paper; Policy Integration Department World Commission On The Social Dimension Of Globalization International Labour Office Geneva.
- Csr Practices And Influencing Factors: Evidences From Small And Medium Enterprises In Malaysia; Anzam 2011.
- Exploring The Interface Of Csr And The Sustainable Development Goals;
- Exploring The Interface Of Csr And The Sustainable Development Goals.
- Factors Affecting Performance of Corporate Social Responsibility of Equity Group Foundation Kenya Ltd; International Journal of Scientific and Research Publications, Volume 5, Issue 10, October 2015 1 ISSN 2250-3153.
- Impact Of Corporate Social Responsibility On The Financial And Non-Financial Performance Of Select Bse Listed Companies
- Impact Of Managerial Perceptions Of Social Responsibility On Firms'performance In India.
- Social Responsibility As The Factor Of Competitive Advantage Of Public Entities; Human Resources Management & Ergonomics; Volume Viii; 1/2014.
- Stakeholders' Perceptions Of Corporate Social Responsibility: Empirical Evidences From Iran; International Business Research; January 2009; Vol. 2, No. 1
- Stakeholders' Perceptions Of Corporate Social Responsibility: Empirical Evidences From Iran; International Business Research; January 2009; Vol. 2, No. 1
- The Emergence Of New Corporate Social Responsibility Regimes In China And India; Uc Davis Business Law Journal; Afsharipour And Rana Macro
- The Impact Of Recession On The Implementation Of Corporate Social Responsibility In Companies

- The Impact Of The Levels Of Education On The Perception Of Corporate Social Responsibility; Udk: 39:004.738.5; Poslovna Ekonomija Business Economics; Godina X Originalni Naučni Rad Broj Ii Str 106–117 Doi 10.5937/Poseko10-12322.
- The Indian Company's Act 2013 – A Boon Or Bane To Sustainable Development; Iosr Journal Of Business And Management (Iosr-Jbm) E-Issn: 2278-487x, P-Issn: 2319-7668. Volume 19, Issue 7. Ver. V. (July 2017), Pp 08-16 [Www.Iosrjournals.Org](http://www.iosrjournals.org)
- The Indian Company's Act 2013 – A Boon Or Bane To Sustainable Development; Iosr Journal Of Business And Management (Iosr-Jbm) E-Issn: 2278-487x, P-Issn: 2319-7668. Volume 19, Issue 7. Ver. V. (July 2017), Pp 08-16 [Www.Iosrjournals.Org](http://www.iosrjournals.org)
- The Indian Company's Act 2013 – A Boon Or Bane To Sustainable Development; Iosr Journal Of Business And Management (Iosr-Jbm) E-Issn: 2278-487x, P-Issn: 2319-7668. Volume 19, Issue 7. Ver. V. (July 2017), Pp 08-16 [Www.Iosrjournals.Org](http://www.iosrjournals.org).
- The Role Of Hrm In Developing And Implementing Csr Strategy; Lappeenranta University Of Technology School Of Business And Management.
- The Role Of Human Resource Management In Corporate Social Responsibility Issue Brief And Roadmap.
- Transnational Corporations; Volume 24; Number 3; Guest Editors' Introduction To The Special Issue: The Contribution Of Multinational Enterprises To The Sustainable Development Goals