

# CORPORATE SOCIAL RESPONSIBILITY IN THE FRAMEWORK OF GLOBALISATION IN INDIA

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**Abstract:** India is among the emergent nations and its' industrial, agricultural, infrastructural and telecommunication sectors are at advancing stage. Initially, our developing nation was not opened up to the world economy and the business activities of the country were also limited to some territories. But after economic reforms of 1991, globalization took place on a large extent which results in the entrance of the several international companies in the various sectors of the Indian economy. With this advancement, major drastic changes have been occurred in the industrial region of the country. The competition among the companies working in the Indian Territory was increased and profit maximization remains the primary goal of all these companies. But with the passage of time a realization was made that the business cannot become successful with profits alone and social progress is must for its sustainable growth. This brings out the concept of Corporate Social Responsibility in the market which gives the essence of cooperation, accountability and values in the social context and each company makes efforts to meet these responsibilities as economic as well as social agents. This paper focuses on delineating the concept of CSR in Indian context and answering some of the questions like- What is CSR? , What is the Impact of Globalisation on CSR? , What is the Importance and limitations of CSR in the Indian economy?

**IndexTerms - CSR, Globalisation, Organization, Competition, Corporates**

*"We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world's major challenges - including poverty, climate change, resource depletion, globalization, and demographic shifts."*

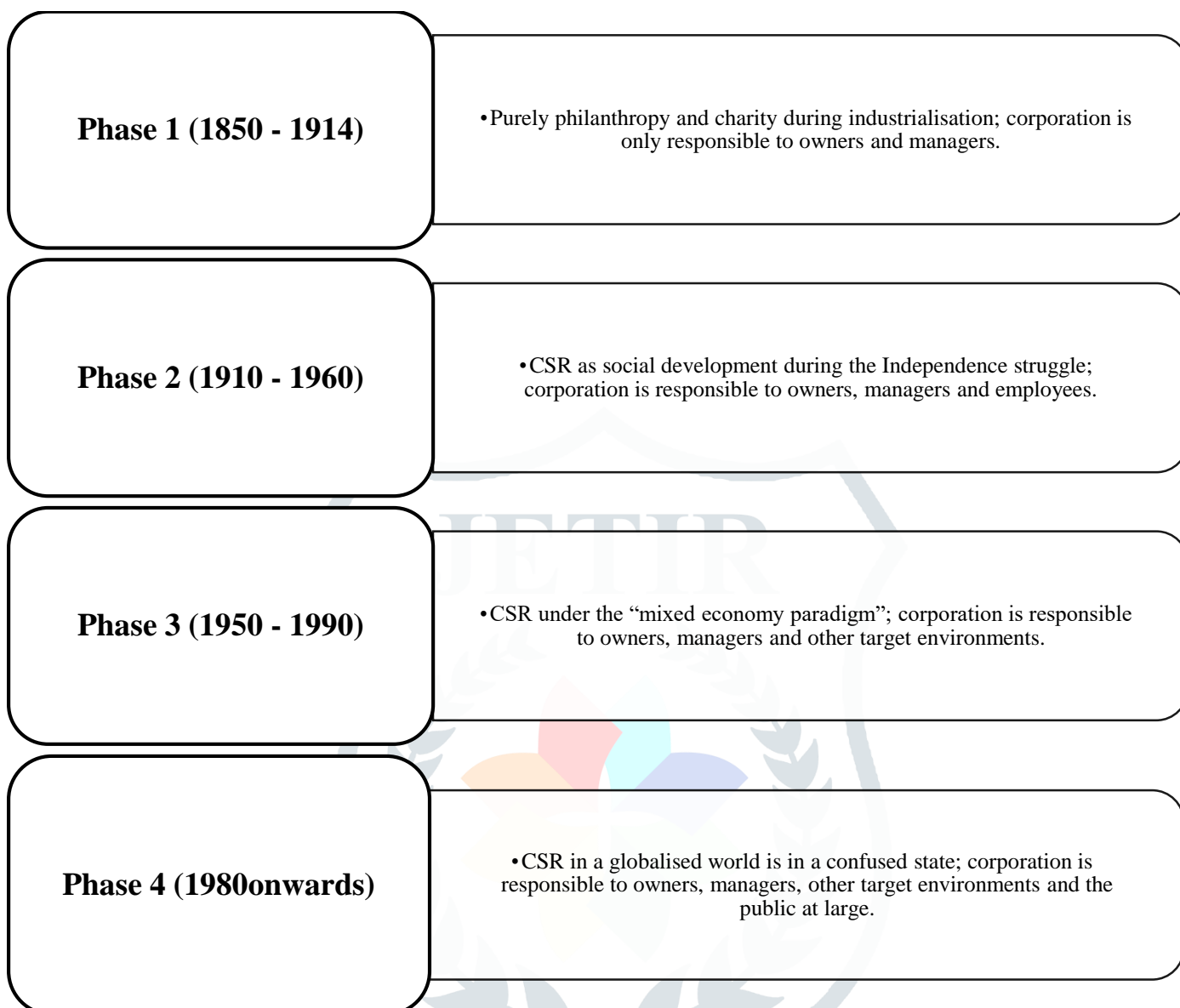
*- Niall Fitzgerald, former CEO & Chairman Unilever*

**I. INTRODUCTION:** - In the era of the 21<sup>st</sup> century, organizations no longer bound themselves in the production and marketing of products or services without concerning the outcomes of their activities on the society. They gain the faith of their customers, employees and public by becoming more socially responsible. Globalisation is playing a vital role in shifting the focus of the organizations towards the social responsibilities. It is a known fact that Globalisation affects the economy with increasing competition, rapid changing of the technology and information transfer. But besides offering opportunities for economic growth, Economic Globalisation has also given rise to a number of interrelated affairs in the social and environmental sphere. These include its consequences on employment and distribution of income, the commencement of new forms of accountability, the arrangement of welfare and social safeguards through collective or planned systems, and the respective roles of government regulation and voluntary codes and standards.

The competitive forces of the Globalisation have encouraged companies to externalize negative social and environmental costs onto the wider community and future generations. This has led to the view that business is an inevitable part of the society and it plays an active role in the provision of a healthy social and ethical system to the economy. At present, there has been growing interest in Corporate Social Responsibility (CSR) to increase the pressure on companies to behave in a socially responsible manner through corporate self-regulation and voluntary initiatives. Corporate social responsibility (CSR) is order of the day all over the world and India is no exception. As globalization forge ahead, large corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe.

**II. CONCEPT OF CSR:** - Before the term and concept of corporate social and environmental responsibility came into common usage in the 1990s, the terms "charity" and "philanthropy" were prevalent in business (Sood & Arora, 2006). It has been argued that the engagement of the corporate in social well-being addressing social issues and problems and showing responsible behavior in business, is as old as business itself. The concept of CSR is said to have its origin in USA but later in the nineteenth century it has become popular all around the world. Although the term CSR seems to be new for the organizations in India but the concept itself has its roots in the country from very long time. The maturation of this concept is classified into four major phases:

FIGURE 2.1: Different Phases Of the CSR Concept



("EVOLUTION OF CSR IN INDIA", 2014)

The term CSR is usually taken to include environmental, social and human rights–based impacts and initiatives of companies and in many countries—both industrialized and developing—the concept and practices are taken seriously (Sood & Arora, 2006).

**III. MEANING OF CSR:** -Corporate social responsibility can be referred as *the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time"* (Carroll). The **economic** responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. The **legal** responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws. Regulation in itself is unable to arrange every aspect of a corporation's operations. The **ethical** responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. The rise of ethics training inside corporations, some of it required by government regulation, is a driver credited with changing the behavior and culture of corporations. Finally, the **discretionary** responsibilities of corporations refer to society's expectation that organizations be good citizens. (Milovanović, Barac & Andjelković, 2009)

**IV. DEFINITIONS OF CSR:** - There are several terms like corporate conscience, corporate citizenship or sustainable responsible business, business ethics, corporate accountability, corporate social investment, triple bottom line and corporate governance; which are used reciprocally for the CSR. That is why CSR is not simple to define. It has been defined in various ways, and each definition, description or perception shows the context, outlook and values of the defining entity. Some of the definitions are given below:

**Table 4.1:** Definitions of Corporate Social Responsibility

Different Sources	Definition of CSR
Bowen (1953)	The obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives & values of our society.
Business for Social Responsibility (BSR)	CSR can be defined as achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.
Confederation of British Industry(2001)	CSR encompasses the extent to which companies should promote human rights, democracy, community improvement and sustainable development objectives throughout the world.
Draft of ISO 26000, International Guidance standard on Social Responsibility (2009)	Corporate responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that (a) Contribute to sustainable development, health and the welfare of society; (b) Takes into account the expectations of stakeholders; (c) Is in compliance with activities law and consistent with international norms of behavior; and (d) Is integrated through the organization and practiced in its relationship.
Dalai (2011)	CSR is related to environment protection, community involvement, business standard, enterprise & economic development, health promotion, education, leadership development, human disaster relief, etc.
Davis (1960)	CSR is defined as businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest.
Eells and Walton (1974)	In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic.
European Commission (2001)	CSR is an essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.
EU Commission (2002)	CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
ISO (2002).	CSR is a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, community and society.
Sims (2003)	'social responsibility' and 'legality' are not One and the same thing. CSR is often seen as acts that go beyond what is prescribed by the law.
UNIDO	Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic.
World Business Council for Sustainable Development (WBCSD) (2000)	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and society at large.
World Bank(2004)	CSR is the commitment of businesses to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life in ways that are both for business and good for international development.

**V. IMPORTANCE OF CSR:** - CSR has become important not only in the academic and business area but also in every walk of the life. It has become an important issue because of several reasons which are given as follows:

- CSR helps in strengthening the relationship between companies and stakeholders.
- Corporate Social Responsibility is an important feature of business, which the managers have a responsibility towards the environment.
- It is often seen as a good way to mitigate the operational costs of the business.
- It enables continuous improvement and encourages innovations.
- It helps in attracting, retaining and maintaining a satisfactory workforce.
- Attracts the best industry talent as a socially responsible company.
- It promotes the long-term benefits for business.
- Provides additional motivation to employees.
- Avoids risk as a result of its effective corporate governance framework.
- It helps in the enrichment of the corporate reputation.
- Enhances ability to manage stakeholder expectations. ("EVOLUTION OF CSR IN INDIA", 2014)

**VI. IMPACT OF GLOBALISATION ON CORPORATE SOCIAL RESPONSIBILITY:** - Globalisation is the order of the day. It is the leading process which incorporates world economies, culture, technology and governance. Even it has social and environmental aspect too. Scherer and Palazzo (2008) proposed that globalisation is defined as *process of amplification and acceleration of social activities and economic cooperation across areas and countries*. Globalisation is the major process which has its considerable effect on modern business theories and practices. It has both positive and negative effects. A company might have learned how to protect itself from some negative effects and how to get opportunities from these globalizations' competitive circumstances. The economic aspect of globalisation is very important in shaping the present day societies and organizations through the intensification and stretching of economic interrelations worldwide. (Harish & Santhosh, 2013)

There is a growing involvement in the aspect of Corporate social responsibility and its relationship with the globalisation process. Globalisation can be seen as the powerful process of making social changes at the enormous level of countries and it has its effects on the economic as well as social phenomena of the nations. Corporate social responsibility of business activity is mostly swayed by the globalisation especially through the changes of political power. The impacts of globalisation on corporate social responsibility can be studied through following points:

- Globalisation and the expansion of international trade by the multinational corporations has resulted in increasing the awareness of CSR practices in the fields like environment protection, health and safety, human rights, corruption etc.
- Globalisation makes the public and enterprises to identify the negative consequences like increasing income inequality, environmental unsustainability and to tackle these consequences more attention is paid to corporate social responsibility now.
- During the process of globalisation, there are the emergence of the global problems and negative consequences, such as global warming and climate change, the increasing unequal distribution of income and welfare, the abuse and invasion of human rights and others. These elements promote the focus and implement of corporate social responsibilities when multinational corporates employ international business and trade. ("The Effect Of Globalisation On Corporate Social Responsibility", 2015)
- Globalisation results in increasing the competition at worldwide level. This worldwide competition and consumers' and shareholders' perception make the firms recognize and rethink corporate social responsibility and decision making process concerning environmental, social and ethical issues. ("The Effect Of Globalisation On Corporate Social Responsibility", 2015)
- One of the prominent outcomes of the globalisation is corporate failures. They have an important impact on the society. That is why managers and the CEOs of the companies become more ambitious than before in their behavior and status in the globalised world. Now, they focus on corporate responsible behavior so as to avoid the scandals and to take accountable decisions in the society.

So in short we can say that the corporate globalisation activities have shaped the nature, scope and time frame of corporate social responsibility and its development in time.

**VII. LIMITATIONS OF CSR IN THE INDIAN ECONOMY:** - CSR is considered to be a good principle for the welfare of the society but when the question of its implementation arises, several problems have to be faced by the agents that are indulged in this activity. Talking about Indian economy, there are many limitations that have been crop up at the different levels of the society. They are given as follows:-

**7.1 Community participation:** It has been seen that often the people who are likely to benefit most from the CSR activities in the community, shows lack of interest in this initiative. The community participation in the CSR activities is almost negligible. In fact there exists very little or no knowledge about CSR within the local communities. No serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

**7.2 Source of media attention only:** CSR is often used as a gimmick by the corporate for media attention only. Some companies in India have been overlooked because of their claim to be engaged in CSR activities at one hand and similarly on the other hand have been engaged in harmful business practices.

**7.3 Own benefit:** Generally corporate sector in India works for CSR only to save the taxes which are being levied by government on them because it has been noticed that the funds that corporates will raise for the CSR activity will be categorized as tax free, so many corporates work on this basis. (Sabharwal & Narula, 2015)

**7.4 Non-availability of well organized NGOs:** In the rural and local areas of the country there is lack of well organized non-governmental organizations which can analyze the real needs of the community and work along with the corporates for the successful implementation of the CSR activities.

**7.5 Absence of policy directives:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

**7.6 Lack of Consensus:** There is a lack of consensus amongst local agencies regarding CSR project needs and priorities. This result in lack of consensus often results in duplication of activities by corporate houses in their areas of their intervention. The consequence results in unhealthy competitiveness spirit among local implementing agencies, which goes against the necessity to have rather than building collaborative approaches on important issues. This factor limits organization's abilities to undertake impact assessment of their initiatives from time to time. (Kazim, 2013)

**7.7 Forceful improvements:** Employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions. (Kazim, 2013)

**7.8 Capacity building:** Many companies do not have skilled manpower and technical knowhow to develop effective CSR technique. This is required in terms to develop effective CSR policies and strategies. The expenditure that has been made on CSR is directly linked to the CSR policies which are being formulated. (Sabharwal & Narula, 2015)

**7.9 Issues of Transparency:** Lack of transparency is one of the key issues in India regarding CSR. There is a perception that partner NGOs or local implementation agencies do not share adequate information and make efforts to disclose information on their programs, address concerns, assess impacts and utilize funds. This perceived lack of transparency has a negative impact on the process of trust building between companies and local communities, which is the key to the success of any CSR initiative. (Sabharwal & Narula, 2015)

**7.10 Corporate social responsibility not only a concept:** Corporate sector should understand that CSR is not just a concept that they have to follow and contribute monetarily or in similar other ways, rather it should include social, environmental and economic factors and corporates have to look into it from the philanthropic point of view.

**7.11 CSR review:** The policies which are being formulated and implemented must be evaluated in order to attain the desired result. The organization that has invested on CSR activity must analyze the impact of a particular CSR activity on the society or the targeted section. But in India the scenario is opaque. Companies spend money on CSR activities only for personal gains and publicity. The long term benefits of CSR are not taken into account. (Sabharwal & Narula, 2015)

**VIII. CONCLUSION:** - Corporate social responsibility has become a trending topic both in the developed as well as developing countries like India. On analyzing the past few years, it could be easily figured out that the customers as well as the society have developed a new expectation of social responsibility in the corporate world. In India, it has been find out that the topic of corporate social responsibility has undergone a sea change from the philanthropic conventional approach to the new modern approach in the globalisation era. Now the corporates are shifting from the voluntary profit making proposition to the society betterment. But still there are many misperceptions regarding the concept of CSR. In fact there is no agreement regarding the definition and the measurement of the extension of CSR activities. Although several initiatives have been taken in India to implement CSR activities in the country, yet more has to be done in this regard to make CSR a boon for the nations like India.

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