

# DISCUSS CONCEPT OF CSR AND ITS CORE CHARACTERISTICS IN CONTEXT OF MODERN INDIA

Chhavi Mittal<sup>1</sup>, Dr. Vipin Kumar<sup>2</sup>

<sup>1</sup>Research Scholar, School of Law, Shri Venkateshwara University, Gajraula, Uttar Pradesh

<sup>2</sup>Associate Professor, School of Law, Shri Venkateshwara University, Gajraula, Uttar Pradesh

## Abstract

*Any brand may utilise corporate social responsibility (CSR) as a competitive advantage. An organization's social obligation begins where the legislation of the land ends. The notion of corporate social responsibility (CSR) has been ingrained beyond the psychological and physical boundaries of corporations, with philanthropy, ethics, regulation, and economics as the foundations. However, empirical information on how CSR affects many areas of a business is lacking. This research examined various CSR definitions and offered a summary of the dimensions associated to the definitions, which constitute the focal area. This paper also discusses the six core characteristics of CSR, which show how CSR is represented with various initiatives and processes ranging from voluntary activities, managing external factors, stakeholder management, aligning social and economic responsibilities, considering practises and values, and finally extending CSR activities beyond philanthropy to instrumentality.*

**Keywords:** Social, Core, Values, Modern, Corporate.

## I. INTRODUCTION

### CSR a Modern Trend

Management theories are expanding in breadth, and beliefs regarding corporate social responsibility (CSR) are evolving and changing. CSR is a strategy, a management philosophy, and a code of corporate ethics that applies to the business world. CSR also serves as a link between the corporate world, the social community, and the environment. According to the Green paper, "CSR is a concept whereby corporations incorporate social and environmental concern in their business operations and in their interactions with their stakeholders on a voluntary basis." There are many various definitions of CSR from academic and corporate perspectives.

Clearly, CSR encompasses not only legal obligations and government laws, but also considerations for human capital, the environment, and the development of a harmonious ecosystem and society. CSR and sustainable development have a common base, hence they are constantly linked. Companies that engage in CSR frequently want to claim that they work on sustainable development, extending their duty abroad for the sake of human sustainability in this global economic era. As a result, the UN Secretary General's 'Global Compact' project aims to make business a partner in achieving global social and environmental changes. When it comes to putting CSR into practise, we inevitably run across issues and roadblocks in different nations, such as differing policies and cultures, CSR perspectives, and development levels. However, as CSR gets more popular, it will become an increasingly crucial component of company that no one can ignore. According to recent study, whether or not a firm implements CSR will become one of the factors that companies consider when selecting business partners.

### Requirement of Social Responsibility

What is the proper course of action in terms of social responsibility? Should a business be conducted for the advantage of its owners, who may want to make as much money as possible, or should it be run to serve the interests of other members of society, such as customers, workers, suppliers, the government, and the community? Because it entails the question of what is ethically acceptable or wrong in respect to

the firm's duties, the idea of social responsibility suggests that it is primarily an ethical problem. Aspects of social responsibility include voluntary action on the side of the businessperson, who may feel free to undertake or not perform such tasks. They can also use their autonomy to decide how much service they want to provide to certain segments of society. In truth, not all businesspeople share the same sense of social responsibility. For a long time, there has been discussion on whether or not businesses should take on social duties. Some people argue that a company's only social obligation is to its shareholders. Others, on the other hand, believe that the company has a social obligation to assist all members of society who are impacted by its decisions and activities. It would be beneficial to comprehend the arguments made both for and against businesses taking on social responsibility.

## II. REALITY OF SOCIAL RESPONSIBILITY IN PRESENT SCENARIO

One can question, based on the aforementioned arguments for and against social responsibility, what businessmen actually do. Do they prioritise profit maximisation? Or do they promote societal objectives? One of the most significant recent shifts in company attitudes has been the recognition that businesses have social responsibilities in addition to securing their own survival via lucrative activities. Of course, some of this realisation is phoney and takes the form of lip service, which is assumed to be required for private industry to survive. However, it cannot be disputed that private industry recognises and acknowledges the harsh fact that a privately held corporation must meet the challenge of a democratic society in which all people have certain human rights and may demand responsible behaviour from businesses. Unless the firm gets its house in order, adjusts its vision and is prepared to fulfil its proper function as an organ of society, it has little prospect of success. It will be good to go through some of the reasons and causes that have compelled and convinced businessmen to think about their obligations, as well as the conditions that have aided the growth of corporate concern with social responsibility. Among the most important are the following:

1. Threat of public regulation: Today's democratically elected governments are supposed to operate as welfare states, caring for all members of society. As a result, if commercial organisations act in a socially irresponsible manner, steps are made to control them in the public interest. One of the main reasons why businesses are worried about social responsibility is the fear of government regulation.
2. Labor movement pressure: Labor has gotten significantly more educated and organised over the last century or so. As a result, the global labour movement for achieving benefits for the working class has grown in strength. This has forced businesses to consider the wellbeing of their employees rather than employing a "hire and fire" approach that allowed them to treat employees as they pleased.
3. Customer consciousness: The advancement of education and mass media, as well as increased market rivalry, has made the consumer aware of his right and power in influencing market dynamics. The caveat emptor (or buyer beware) concept has been replaced with the 'customer is king' principle. Businesses have begun to implement customer-centric practises.
4. Establishment of a societal norm for business: Businesses are no longer seen as purely money-hungry organisations that may make money at any cost and get away with any business activities. New social norms recognise corporate firms' economic activities as acceptable, but only if they also satisfy social requirements. No business can exist without the support of society. It is society that allows businesses to exist and expand, and business performance is ultimately assessed on the basis of societal norms.
5. Advancement of business education: Advancement of business education, with its rich content of social responsibility, has increased public awareness of company's social purpose. Educated folks as customers, investors, employees, or owners have become more sensitive towards social concerns than was the case before, when such education was not available.
6. The relationship between social and commercial interests: Businesses have begun to recognise that social and economic interests are not mutually exclusive. Rather, they are complimentary to one another. The idea that business can expand solely via exploitation of society has given way to the

belief that long-term profit of company resides in serving the society properly. A beneficial institution such as business is also recognised as an important part of a contemporary civilised society. (vii) Evolution of the professional, managerial class: Professional management education in universities and specialised management institutes has produced a distinct class of professional managers with a completely different attitude toward social responsibility than the previous owner manager class. Professional managers are more concerned with satisfying a variety of societal interest groups than with meeting profit targets when it comes to running their businesses successfully.

### III. CSR IN INDIA

In India, CSR is not a new concept. Corporates such as the TATA Group, Aditya Birla Group, and IOCL, to mention a few, have been active in helping the society through donations and charity activities from their foundation. Clause 135 of the Companies Act, 2013, which was enacted by both Houses of Parliament and gained the President's assent on August 29, 2013, governs the idea of CSR in India. Companies having an annual revenue of 1,000 crore INR or more, a net worth of 500 crore INR or more, or a net profit of 5 crore INR or more are covered by the Act's CSR rules. The new guidelines, which take effect in the fiscal year 2014-15, also require corporations to have a CSR committee comprised of their board members, with at least one independent director.

India's overall CSR reporting climbed by 27 percent in 2015, the highest among 45 nations, after the new Enterprises Act made it necessary for companies with a net worth of Rs 500 crore or an annual revenue of Rs 1,000 crore to spend under CSR (survey done by KPMG). Several organisations in India have realised that engaging in CSR initiatives and integrating them into their business processes is a wise decision. Nowadays, the primary goal of CSR is to optimise a company's total influence on society and stakeholders. Corporations are becoming more conscious of their social responsibilities. They are accountable bodies with a feeling of obligation to the public good and the environment. This is accompanied by a rising recognition that, as integral members of society, they can contribute to the upliftment and empowerment of the whole country. As a result, businesses are creating dedicated departments and teams to design CSR policies, plans, and goals, as well as allocating special funding to support them. These initiatives are either founded on well-defined social principles or are closely matched with the commercial area of the company. Employees that are critical to this process put the programmes into action. CSR initiatives cover anything from community development to education, the environment, and healthcare, among other things.

In 2019-20, the total CSR spend of enterprises for whom data was available was Rs 8282 crore. This resulted in an average CSR expenditure of 1.4 percent of average PAT, which is lower than the government's target of 2 percent or higher. Corporate India is responding to government pressure. Over 39% of businesses are focusing on Swachh Bharat. Solar energy is the focus of 59 percent of the firms polled. Emissions disclosure requires more attention. Only 36% of India's top 200 corporations (down from 38% the previous year) reported statistics on GHG emissions, while 54% took part in carbon-specific efforts like the Carbon Disclosure Project (CDP). Given the nature of their company, Energy and Materials strive to reduce their influence on the environment by emphasising corporate social responsibility. CSR spending was concentrated in education and healthcare, accounting for 45 percent of overall spending. Women's empowerment, senior citizen support, and armed forces veterans had no takers. (September 2020, India CSR News) Also, corporations are collaborating with non-corporate organisations to develop initiatives that address broader societal issues. SAP India, for example, works with the Hope Foundation, an NGO, to help tsunami victims reconstruct their lives.

### IV. CSR'S CORE CHARACTERISTICS

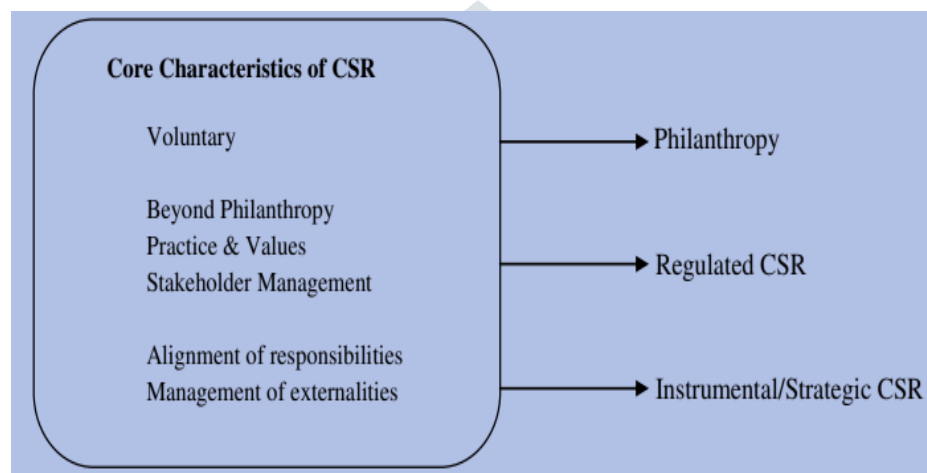
The key qualities of CSR that are observable in CSR activity are known as core characteristics. Few, if any, current definitions will encompass all of them, but these are the primary focal areas around which CSR manifests. The following are six basic characteristics:

## 1. Voluntary

Scholars describe CSR as a collection of discretionary corporate actions that go beyond what the law requires. This feature is emphasised by government and other stakeholders in all emerging countries.

## 2. Managing or internalising externalities

Externalities in CSR relate to a variety of issues that have an influence on various stakeholders' rights but are not directly addressed in a company's decision-making process. Environmental deterioration is usually considered an externality since the general population is affected by the manufacturing process. Although regulation might force businesses to internalise the cost of externalities like environmental fines, CSR remains a viable discretionary strategy to controlling externalities like improving safety and reducing pollution by becoming green. Much CSR activity focuses on externalities such as worker rights, reducing the impact of rationalisation, managing stakeholder relationships to reduce the accumulation of unsatisfied legitimate claims, and discarding production processes and products that are not in demand, harmful, or classified as dangerous.



**Figure 1 – Core Characteristics of CSR**

## 3. Multiple stakeholder orientation

Stakeholder management's fundamental premise is to identify stakeholders' orientations based on three attributes: power, legitimacy of claim, and urgency. Following that, defining stakeholder orientations aids in the identification and prioritisation of stakeholders through the use of a step-by-step approach that begins with internal preparations, appointing an internal leadership team of internal stakeholders for marketing, communication, operational unit, human resources, investor relations, and environmental/government affairs, among other things, limiting expectations to a realistic level, training on communication skills, stakeholder re-performance, and stakeholder re-engagement.

## 4. Harmonization of social and economic obligations

Another key characteristic is the balance of diverse stakeholder interests. While CSR may be about pushing beyond a strict emphasis on shareholders and profitability, many people feel it should not be at odds with it. Despite the fact that this is a contentious issue, many company and government definitions of CSR emphasise that it is about aligning social and economic obligations. This piece has drawn a lot of attention to the "business case for CSR," or how companies may profit financially by being socially responsible.

## 5. Values and practises

CSR is obviously about a collection of corporate practises and strategies that address social challenges, but it is also about something more for many people: a philosophy or set of principles that drives these activities. CSR activities of communitarian or collectivistic civilizations that value the traditions and cultural practises of their local communities reflect this viewpoint.



## 6. Beyond philanthropy

CSR is mostly about philanthropy in several parts of the globe, i.e. corporate discretionary responsibility or voluntarism toward the general public. CSR is now a legal requirement backed by rules and an internationally recognised norm that is transitioning from altruistic to instrumental or strategic CSR. Because of the effects it has on profitability, human resource management, marketing, and logistic support, which are all part of the fundamental operations of commercial organisations, it is no longer altruistic in character but more than just charity and community development programmes.

## V. CONCLUSION

CSR knows no bounds and is unaffected by ethnicity, colour, or religion. Unfortunately, compassion for the community is frequently confused with socialism. On the contrary, every individual is a valuable asset in the economy and has the potential to thrive. This unseen culture has the power to generate a better future for countries. CSR programmes are unlikely to be successful if workers don't see the point or don't grasp the message. Organizations must recognise that the government alone would not be able to succeed in its efforts to improve societies downtrodden. Companies' current societal marketing idea is continually expanding, giving rise to a new concept known as CSR. Many of the world's most powerful firms have grasped the value of being linked with socially meaningful issues as a way to maintain their goodwill and image, fight against assaults, and boost their competitiveness. It arises from a desire to succeed and gain self-satisfaction, as well as a societal duty to do so. To expand its reach in rural places, Indian corporate sectors seek to adopt CSR in the small and medium business (SME) sector. Some firms have already begun to use CSR as a strategy to achieve mutual growth of the company and the society at the same time.

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