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Corporate social responsibility: A new pathway for community initiatives and rural development

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Abstract

Corporate social Responsibility is continuing commitment by business to behave ethically and contribute to rural development for improving the quality of life of the workplace and their families as well as of the local community and society at large. The image of a company depends upon service and satisfaction of the people. Hence, corporate social responsibility becomes an integral part of organizational objectives.

The Corporate Social Responsibility (CSR) arena in India includes leading business and corporate houses as well as public sector organizations. As per the survey done by Times Foundation, over 90% of all major organizations surveyed were involved in CSR initiatives. Interestingly, the private sector is more involved in CSR activities than public / government sector for rural development. The leading areas that corporations are working for rural development are education, health, environment, livelihood promotion and women's empowerment. The paper is focused on various CSR practices adopted by the companies for community initiatives and rural development.

Keywords: CSR, Rural development, Community initiatives, society, Quality of life, Women empowerment, Livelihood.

1. Introduction

Corporate Social Responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business and corporate social performance is a form of corporate self-regulation integrated into a business model. Corporate social responsibility is companies acting voluntarily and beyond the law to achieve social and environmental objects during the course of their daily business activities. The various Commissions are promoting inclusive and good quality employment practice within enterprises, particularly within the supply chain and down to the respect for human rights in the international context. Diversity management is emerging issues that companies need to address. Innovations in employee health management, business education and lifelong learning, and environmental issues are equally part of the CSR agenda, discussions about which are undertaken on a multi-stakeholder basis.

The CSR interventions –based on commitment, mobilization of employees-voluntarism, innovative approaches, appropriate technology and continuing partnership have been making lasting differences in the life of the disadvantaged. Further, synergy of corporate action by the government and the civil society are making the CSR interventions more effective and facilitating the corporate carrying on business in the society.

The leading areas that corporations are working on are education, health, environment, livelihood promotion and women's empowerment. However, the wish list that the corporations prepared adds micro finance, slum improvement and agricultural development to the activities currently highlighted. CSR activity in India picked up after the liberalization of the economy in 1991. Most companies initiated action in the early 90's and now have a formal policy in place. A majority of CSR ventures is being done as internal projects, whereas a small proportion are in the form support extended as direct financial assistance to voluntary organizations or communities.

The problems faced in implementing CSR cited by organizations pertain to community participation, organization capacity building, lack of well-organized civil society groups and transparency, greater importance associated with event-based activities, unavailability of clear guidelines on CSR, and lack of consensus regarding areas of focus and CSR impact assessment.

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR refers to the way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy, but even corporations should be responsible enough to address social issues. Thus, companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries, India has one of the richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity, but CSR in India has yet to receive widespread recognition. If this goal has to be released, then the CSR approach of corporate has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

The Four Phases of CSR Development in India

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food for their go down and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century, such as Tata, Godrej, Bajaj Birla, and Singhanian were strongly inclined towards economic as well as social considerations. However, it has been observed that their efforts towards social as well as industrial development were not only the driven but also by selfless and religious motives but also influenced by caste groups and political objectives.

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlight his argument towards his concept of "trusteeship". Gandhi's influence put pressure on various Industrialists to

act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs) and laws relating labor and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to the enactment of legislation regarding corporate governance, labor and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

The Fourth Phase

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with, which gave a boost to the economy the signs of which are very evident today. The increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about labor and environmental standards in the developing countries, Indian companies who export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Objective of study

- ❖ To study internal dimensions and external dimensions of CSR
- ❖ To study the role of organizations towards Rural Development
- ❖ To study the contribution of CSR practices into organizational growth
- ❖ To study core elements of CSR Policy

Research Methodology

This Research Paper is an exploratory research, which include secondary data collection of various articles, journals, books, magazines, newspaper etc.

Internal Dimension of CSR

This relates to practices internal to the company which need to be modified to incorporate CSR practices. The various components of the internal dimension of CSR are shown in the above figure.

a. Human Resources Management

CSR can be successfully implemented in an organization through precise management of its own work force. The internal dimension of CSR includes elements like providing an environment for lifelong learning for employees, employee empowerment, better information flow, improving the balance between work, family, and leisure, diversified workforce, profit sharing and share ownership schemes, concern for employability as well as job security among others. Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost savings for the companies. Moulding of recruitment policies to include people from ethnic minorities, older workers, women and the long-term unemployed would be a significant step forward to incorporating CSR practices in Human Resources Management.

b. Work Safety and Health Measures

Worker safety and labor health have been documented to be having a direct impact on productivity of the labor force. Although legal measures exist in most nations in maintaining standards for ensuring worker safety and providing health benefits, recent trends have made it imperative for companies to adopt a proactive approach to this issue. In emerging markets having significant cost advantages in labor, outsourcing of labor and processes have led to the situation where companies not only need to maintain high safety levels in their own premises but also ensure that their suppliers and other connected parties comply with these principles. The increased focus on safety standards and employee welfare has led to the development of standards across industries. Mechanisms are being designed especially in emerging markets for measuring, documenting and communicating these qualities thereby saving time, work and costs in the purchasing process.

c. Adaptation to change

A recent trend in the global business scenario has been the widespread use of mergers and acquisitions for business expansion. According to the Green Paper (2001) by the Commission of the European Communities "Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions.

d. Management of Environmental impacts

The importance of this aspect of CSR cannot be overemphasized. Optimization of resource utilization and reducing environmentally damaging effluents can reduce the environmental impact. This will also enable the firms to effect significant cost savings in energy bills and pollution costs.

External Dimensions of CSR

a. Local Communities

The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. Deep understanding of the local community and social customs is an asset which can be utilized by the companies to gain strategic advantage.

b. Business Partners

Building long term relationships of sound ethical foundation with suppliers, customers (and even competitors in rare occasions) will enable companies to meet customer expectations better while reducing complexity and costs. Companies should realize their CSR practices will be judged taking into account the practices of their partners and suppliers throughout the supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners.

c. Human Rights

Companies operating in countries where human rights are regularly violated may experience a climate of civil instability and corruption that makes for uneasy relations with government officials, employees, local communities and shareholders." Amnesty International states:" Companies have a direct responsibility to ensure the protection of human rights in their own operations. Companies have a responsibility to respect human rights and democratic institutions; and promote them wherever practical.

Core Elements of CSR Policy

a. Care for all Stakeholders

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanisms to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

b. Ethical functioning

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

c. Respect for Workers' Rights and Welfare

Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labor, have an effective grievance redress system, should not employ child or forced labor and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

d. Respect for Human Rights

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

e. Respect for Environment

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environmentally friendly technologies.

f. Activities for Social and Inclusive Development

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

Services provided by the Companies for Rural Development

Aditya Birla Group: The Company is in the league of the top Fortune 500 companies. It operates in about 25 countries like India, Brazil, Germany, Canada, Australia etc. It is a powerhouse of metals, copper products, insulators, carbon black, cement, branded garments, mobile telephony, viscose filament farm, fertilizer plants which are energy efficient and many others.

This entails that the wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. With regard to CSR, this means investing part of our profits beyond business, for the larger good of society. Beyond the business it contributes to the society by-

- ❖ Working in 3,700 villages
- ❖ Reaching out to seven million people annually through the Aditya Birla Centre for Community Initiatives and Rural Development, spearheaded by Mrs. Rajashree Birla
- ❖ Focusing on: health care, education, sustainable livelihood, infrastructure and espousing social causes
- ❖ Running 42 schools and 18 hospitals

Transcending the conventional barriers of business to send out a message that "We care". Its CSR practices are.

Education

- Balwadis (pre-school)
- Adult education
- Non-formal education
- Continuing education
- Scholarships for girls, merit and technical education

Health & Family welfare

- Mobile clinics - doctors visit once a week
- Medical, camps - general and issue-based
- Health training and awareness
- Sanitation - toilets, training, smokeless chullahs, biogas
- Safe drinking water
- Mother and child health

- Reproductive health
- Awareness building

Sustainable development and livelihood and agriculture and watershed development

- Self-help groups
- SGSY - dairy, ready-made garments, jute project, basket making, agarbatti making, bee keeping, dress making.
- Check dam
- Irrigation
- Land development
- Soil and water conservation
- Pasture development
- Social forestry/ plantation activities/ nursery
- Horticulture
- Farmer training

Infrastructure Development

- Roads
- Dams
- Community centres
- Houses
- Culverts
- Electricity
- Health centres
- Water channels
- Schools

Conclusion

Corporate social responsibility is most frequently used to describe a company's relations with its wider community. CSR is on the boundary of all corporate activities. Today the goal of business is to focus on the top and bottom line through the kaleidoscope of CSR policy. The managers should be able to integrate themselves to the community and other stakeholders and lead them to new interventions and action programs where the organization's development and social development can be better integrated.

The study has also found that large sections of the corporate world are still residual unaware and linger on the misunderstanding of what could be considered "responsible" behavior beyond the strict adherence to legislation and regulation. Business leaders also fear incurring higher costs, reduced profitability, and growing regulatory interference. In this context, creating a stronger environment for promoting CSR would require several interconnected activities and partnerships. Achieving results would involve a process of learning, dialogue and agreements on incremental improvements.

At last I would conclude that each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goal. The policy should be framed with the participation of various level executives and should be approved by the board.

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