

# A Study of Corporate Social Responsibility in a Competitive Business Environment

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## Abstract :-

*There is a varied history associated with the evolution of the concept of Corporate Social Responsibility. It is believed that Corporate Social Responsibility is continuing commitment to integrate social and environmental concerns. Changes in the global environment increasingly challenge business around the world to look beyond financial performance and to integrate social and environmental concerns into their strategic management. The concept of Corporate Social Responsibility holds paramount significance these days. For many business houses Corporate Social Responsibility has become a fundamental business practice. It is believed that in a competitive business environment the initiatives taken by the organizations aims for socio-economic development of the community. In a developing country like India the practices associated with Corporate Social Responsibility could be instrumental in delivering societal value. This paper aims at providing an insight of Corporate Social Responsibility in a challenging and competitive business environment. It also highlights various challenges facing Corporate Social Responsibility in India. It also provides suggestions to overcome them and accelerate the CSR initiatives in India.*

**Key words:-** Corporate Social Responsibility, Global environment, CSR initiatives

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## INTRODUCTION: -

The concept of Corporate Social Responsibility (CSR) is gaining worldwide recognition. Corporate Social Responsibility is a business model that helps a company be socially accountable to itself, its stakeholders and the public. The prime objective of CSR is to give back and contribute for the society. It also aims to provide positive societal value. It is seen that in this competitive business environment organizations are increasingly turning to CSR to make a difference.

Archie B. Carroll defined CSR as “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”

Kotler and Lee defined CSR as “Corporate social responsibility is a commitment to improve community well-being through discretionary, business practices and contribution of corporate resources. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility”.

To understand the concept of Corporate Social Responsibility it is imperative for us to know the principles of CSR. These are:

**Sustainability** - This is concerned with the effect which action taken in the present has upon the options available in the future. Sustainability therefore implies that society must use no more of a resource than can be regenerated. If resources are utilized in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity. Measures of sustainability would consider the rate at which resources are consumed by the organization in relation to the rate at which resources can be regenerated.

**Accountability** - This is concerned with an organization recognizing that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. More specifically the concept implies a reporting of those quantifications to all parties affected by those actions. This implies a reporting to external stakeholders of the effects of actions taken by the organization and how they are affecting those stakeholders. This concept therefore implies recognition that the organization is part of a wider societal network and has responsibilities to that entire network rather than just to the owners of the organization.

**Transparency** - Transparency, as a principle, means that the external impact of the actions of the organization can be ascertained from that organization's reporting and pertinent facts are not disguised within that reporting. Transparency is of particular importance to external users of such information as these users lack the background details and knowledge available to internal users of such information.

#### **Literature Review:-**

**Chatterjee and Roychowdhury (2016)** examine CSR practices in Indian public sector enterprises in relation to the issue as how enterprises manage the business procedures to produce a general positive effect on society. The study has been conducted in the forms of both primary and secondary research. In the primary research, the authors conduct a structured questionnaire, which were administered on randomly chosen 20 private and the public sector enterprises in India. Further, the managers of the enterprises were interviewed and their responses were analyzed utilizing suitable statistical tools. The analysis was confined 20 randomly selected private and the public sector enterprises of India. The findings of the study make known that enterprises need to involve their stakeholders for building up meaningful and long-standing partnerships which would show the way to forming a well-built image and brand identity.

**Ray (2013)** conducts a study linking CSR of Indian public sector enterprises with sustainable development. The author adopts a qualitative methodology for conducting this exploratory study of a dynamic framework. The purpose of this qualitative study is to know how individuals in a specific context situate themselves in their daily lives. The author conducts the

primary research in the form of interview involving the key stakeholders as managerial people in the enterprises in charge for CSR planning, implementation, monitoring and evaluation. 49 managerial people from four public sector enterprises were interviewed on the likely challenges in CSR implementation.

**Gautam and Singh (2010)** discussed the importance of Corporate Social Responsibility in the Indian context. They stated that In India also, Corporate Social Responsibility existed in ancient times as charity or social duty. It was concluded that the organizations must introduce the concept of Corporate Social Responsibility. Our society can't be ignored and thus for its benefit organizations must take the initiatives.

**Thomas M. Jones (2009)** laid major emphasis in building Corporate Social Responsibility. He stated that "Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract." This definition also lays emphasis on discretionary activities that have been voluntarily undertaken for the sake of welfare of not only stockholders but of the society as whole. Jones has widened the scope of corporate social responsibility activities beyond stockholders and has included other societal groups like suppliers, customers, employees and others.

**Waddock (1997)** stated that in order to attain significant success in business, it has become highly essential for a company to build strong connection with its major stakeholders and enhance their level of satisfaction. The consumers often evaluate their decisionmaking procedure on the basis of a company's CSR efforts. There exists a higher possibility for them to lend more support to companies that employ themselves in social and environmental causes and repay them by procuring their products.

#### **Objectives:-**

1. To study the concept of Corporate Social Responsibility.
2. To discuss challenges associated with Corporate Social Responsibility.
3. To give feasible suggestions to make CSR initiatives more effective.

#### **Research Methodology:-**

1. This research paper is an attempt of exploratory research.
2. Based on the secondary data an attempt has been made to study the concept of Corporate Social Responsibility in a competitive business environment.

#### **Concept of Corporate Social Responsibility: -**

The concept of Corporate Social Responsibility goes beyond charity and requires the company to act beyond its legal obligations and to integrated social, environmental and ethical concerns into company's business process. In the present scenario, the organizations should not limit themselves only to profit maximization. The ever-increasing role of civil society has started

to put pressure on companies to act in an economically, socially and environmentally sustainable way.

Globalization has made the world smaller. Business has emerged as one of the most important powerful institutions on the earth. As companies are expanding their business worldwide, the concept of Corporate Social Responsibility is gaining tremendous significance. Indian companies too have made their way into the business boom and are today globally acknowledged as major players. India is currently amongst the fastest growing countries in the world. The globalization and liberalization of the Indian economy has helped in stepping up growth rates. Integration of the Indian with the global economy has also resulted in Indian businesses opening up to international competition and thereby increasing their operations.

The concept of Corporate Social Responsibility goes beyond charity. Business for Social Responsibility defines CSR as achieving commercial success in ways that honor ethical values and respect people, communities, and the environment. It means addressing the legal, ethical, commercial and other expectations that society has for business and making decisions that fairly balance the claims of all key stakeholders. In its simplest terms it is: “what you do, how you do it, and when and what you say.” A widely quoted definition by the World Business Council for Sustainable Development states that “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

Hence it can be stated that the emerging concept of CSR advocates moving away from a ‘shareholder alone’ focus to a ‘multi-stakeholder’ focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment and society at large.

Following are top 5 companies in India known for CSR initiatives in 2020:

- 1. Infosys Limited:** The company spent nearly Rs. 360 crore towards various CSR schemes in 2020. Covid-19 relief work dominated the activities, with education and health-related programmes following after. The company in the financial year 2019-20 setup a 100-bed quarantine in Bangalore in partnership with Naravana Health City and another one which had 182 beds for Bowring and Lady Curzon Medical College and Research institute.
- 2. ITC Limited:** ITC Choupal is a long-running flagship CSR programme by the company that has become the gold standard on community development in international circles. Not only has ITC Choupal impacted lakhs of farmers over the years through digital literacy and economic empowerment, it has also been replicated by scores of other corporates for social welfare in their own communities. ITC spent Rs. 326.49 crores on

3. CSR initiatives in 2019-20, surpassing its spend for previous years. The conglomerate has active social projects in education, environmental conservation, sustainable agriculture, healthcare, digital literacy, sports and culture.
4. **Mahindra and Mahindra Limited:**The company spent Rs. 93.50 crore on CSR initiatives during the financial year 2018-19. Mr. Mahindra initiated Project Nanhi Kali in 1996 which went on to become the biggest CSR programme in India for educating the girl child. The group works closely with nonprofits like Naandi Foundation, which feeds over 1.3 million government school children every day. Naandi also works with small holder farmers on farming practices that are more environment friendly.
5. **Tata Chemicals Limited:**Tata Chemicals established Tata Chemicals Society for Rural Development (TCSRSD) in 1980 as a society and trust. Although the prescribed CSR for 2019-2020 was Rs. 21.39 crore, the company went on to spend Rs. 37.81 crore on community development projects. Improving the quality of life and fostering sustainable and integrated development in the communities where it operates is central to Tata Chemicals' corporate philosophy. Tata Chemicals spends Rs. 12 crore on CSR annually. The spend is distributed over the three places the company has operations – Mithapur in Gujarat, Haldia in West Bengal and Babrala, Uttar Pradesh.
6. **Vedanta Limited:**Vedanta Limited not only supports agriculture and rural development but also has a host of CSR initiatives focusing on themes such as water, energy and carbon management. The group has adopted advanced technologies to optimize water consumption, enhance energy productivity, mitigate climate change and safeguard diversity through their group companies including Hindustan Zinc (HZL), Cairn Oil & Gas, Sesa Iron Ore Business and Vedanta Aluminum. The company has also made a useful contribution in 2019-20 with regard to various CSR initiatives.

#### **Challenges of Corporate Social Responsibility:-**

Although Corporate Social Responsibility has gained emphasis in India there are several issues that need to be addressed. Following are challenges associated with CSR initiatives in the country:

1. **Need to build local capacities:** This is the most important challenge associated with CSR in today's competitive and dynamic business world. It is seen that there is a serious scarcity of efficient and effective organizations that can actually contribute to the ongoing CSR activities. This further limits the scope of CSR initiatives in the country. Thus, there

2. is a need for capacity building of the local nongovernmental organizations for CSR practices.
3. **Lack of community participation in CSR activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. Due to which the country is lagging behind in CSR initiatives. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as 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.
4. **Change in Employee Behavior:** Frequent changes in attitude and employee behavior are the challenge associated with the corporate world. Employees are looking beyond paychecks and other benefits. Due to changes in employee behavior many researchers believe that the initiatives related to CSR is not undertaken by the organizations. This has a negative impact related to CSR practices in the country.
5. **Visibility factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organizations to involve themselves in event-based programmes; in the process, they often miss out on meaningful grassroots interventions.
6. **Issues of transparency:** Lack of transparency is one of the key issues brought forth by the survey. It is generally observed that in case of organizations there exists lack of transparency. It is noticed that various organizations do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.
7. **Non-availability of well-organized non-governmental organizations:** This is another challenge associated with CSR initiatives in the country. It is reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas. Due to non-availability organizations struggle to ensure successful implementation of

8. CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

### **Suggestions to make CSR initiatives more effective:-**

The suggestions to make CSR initiatives more effective can be enumerated as follows:

1. Inorder to ensure that CSR is progressively contributing and benefiting, there is a need to create awareness about CSR. Various workshops and educational programmes will prove to be beneficial.
2. Allocating finance for treating CSR as an investment from which returns are expected. Thus it is also believed that appropriate amount of funds should be allocated for smooth running of CSR initiatives in the country.
3. Monitoring CSR activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcome. According to experts, this is another valuable suggestion that can make CSR practices more effective in the country.
4. The role of SME and their contribution to CSR in India has to be emphasized upon to increase their contribution to CS initiatives .When compared to large corporations, SME play a limited role in CSR.SME have to be encouraged so that it can contribute and reap the benefits of CSR.
5. A long term perspective by various organizations, which encompasses their commitment to both internal and external shareholders, will be critical to the success of CSR and the ability of companies to deliver on the goals of their CSR strategy. Thus, this can also enhance various CSR initiatives in the country.
6. It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

**Conclusion:-** Hence it can be concluded that in today's competitive and dynamic business environment the concept of Corporate Social Responsibility hold paramount significance. CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders, CSR has come a long way in India. It has successfully interwoven business with social inclusion and environment sustainability. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

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