

ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN REDUCING POVERTY IN INDIA

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Abstract

"Social Responsibility has become the hallmark of mature, global civilisation" - Keith Davis

Every Society has a form or pattern. It is a system or structure within which its members live. It exists on the natural companionship and association among fellow members. It develops enduring and co-operative relationships. These, in turn establish complex variety of institutions. Institutions in society are originally centres of community culture. They serve as a means to achieve economic and social ends. They are functional agents of society. Such Institutions include Corporates, Governmental Organisations, Non- Governmental Organisations, Research Organisations, etc. Business is created by the society anticipating that it will aid the society and vice-a-versa. A business needs a healthy, educated workforce while a society needs to thrive on the success. But this concept of Corporate Social Responsibility has changed since the nascent idea in 1960s. Now, the Corporates consider this responsibility as a form of self-regulation. Also, in the competitive world of business, this social responsibility is comparable to the transparency and accountability functions of a company. Such serious nature it has in a company. Many corporates would like to provide funds to social activities also as a means to show the stakeholders that the business is socially aware and that helps them win the confidence of the consumers. A study in China shows that the Chinese consumer believe that a socially responsible company makes safe, high-quality products while Germans feel that Corporate Social Responsibility is a means to secure employment. Also, by practising social responsibility, the company not only serves, but sustains itself in the market. Non-Governmental Organisations also play a significant role as the Donations to NGOs are ploughed back into their operations and service. In India, the Public Sector Enterprises are also encouraged by the Government to contribute to CSR. Corporate Social Responsibility is practiced in areas like Education, Health, Philanthropy, Developing the infrastructure of cities like making parks, providing funds for social awareness programmes, etc.

Legislations at a Glance: Legislations also play major role to express the will of the Government. In India, the Companies Act, 2013 provides that the board of each company covered under the CSR requirement needs to ensure that the company spends, in every financial year, at least 2% of its average net profits made during the three immediately preceding financial years in pursuance of CSR policy. There are International Standards also like ISO 26000 which provides guidelines about how the social responsibility is to be realised.

The Concept of Poverty: CSR does not exist in vacuum. There are many social problems which need attention of CSR and one such major problem is Poverty. There are many causes of Poverty like Lack of Education, Lack of Skill, Inequality in the society, Discrimination on various grounds like sex, caste, creed, religion and also Corruption.

According to Reports, India still has about 20% of world's poor. Providing them education so that they become skilled and hence find employment would be a major challenge for India in years to come.

There are a many Institutions in India which are active in developing the society through CSR in various ways.

Keywords: Corporate Social Responsibility, poverty, corporate, companies act.

INTRODUCTION

Ever since the emergence of civilization, social behavior has become an integral part of human life and activities of mankind. The moral, cultural and social behaviors can help one comprehend the aspect of responsibility he has towards various things.

The last 50 years have witnessed a revolutionary change in the world's business environment. This has necessitated businesses to realign their objectives and goals from the historical objective of profit or wealth maximization to Social Objectives. Today, business feel that it is imperative that they care for the society and its need; otherwise it will be difficult for them to grow.

Business is created by the society anticipating that it will aid the society and vice versa. Business enterprise is an economic institution and society provides infrastructure facilities for its smooth functioning. Every society has a form or a pattern. It is a system of structure within which its members live. It exists on the natural companionship and association among fellow members. It develops enduring and co-operative relationships.

Institutions in a society serve as a means to achieve social and economic ends. They are functional agents of a society. Business is created by the society and its success depends on the society since the goods and services are ultimately consumed by the society. A business activity cannot isolate itself from the rest of the society.

Every action that the business takes is related to the external world and vice versa. It helps society understand the business better. The internal and external self-correcting tendency to maintain equilibrium is called *homeostatic social system*. The concept of *homeostasis* refers to the development and processing economic values in the society.

According to Henry Gantt, "the business system must accept its social responsibility and devote itself primarily to service or the community will ultimately make the attempts to take it over in order to operate in its own interest."

Before the 20th Century, the sole motivation of business was profit. As more and more businesses entered the business, competition grew fierce and abuses continued until it was inevitable that the Government intervene to protect the legitimate interests of the society. Businesses gradually developed a sense of social responsibility when they realized that promotion, sales and efficient production alone would not increase the profits and by the early 1950s they asked what the society needed and began to develop their goals and objectives to meet the social needs.

It is now increasingly recognized that what is not for the public good is not for the good of business. The environment also demands attention from business for its protection.

Today, the motive of business has also changed and are no longer restricted to profit earning. With the change of character and composition, business is emerging as a social institution.

The concept of social responsibility is fundamentally an ethical one. It involves changing notion of human welfare and emphasizes a concern for the social dimensions of business activity, which have a bearing on the improvement on the quality of life of the society.

According to JRD Tata, social obligations of organized businesses and industry must go beyond the accepted routine duties of making a good product and selling it at a fair price, paying for wages, providing good conditions to labor and paying them in full.

It is assumed that the social welfare of the people is the sole responsibility of the State. The State meets this expectation in two ways:

1. By direct action through various schemes launched by it, and
2. By encouraging business houses to take the lead in some areas and share some of the responsibilities of social welfare.

Dimensions of Social Responsibility:

- Economic
- Legal
- Ethical

- Voluntary

The aim of Social responsibility is to:

- Ensure viability of business
- Avoid Government Regulation or control
- Stop misuse of national and economic resources
- Establish better public image

Constraints in assuming social responsibilities:

- Prevalence of the idea of profit maximization
- Lack of social skills
- Absence of accountability

Approaches to Social Responsibility:

- Obstructionist Approach
- Defensive Approach
- Accommodative Approach
- Proactive Approach

Corporate Social Responsibility

The World Business Council for Sustainable Development, in its publication "Making Good Business Sense" defined:

"Corporate Social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of their workers and their families as well as the society at large."

According to Friedlen, "Corporations, if they are to survive, will have to be responsive to the needs of the society."

In India, Gandhiji was one of the first persons who had foreseen the problem of social responsibility and spelt out his own philosophy to meet the challenge. He was a strong advocate of the ideal of Sarvodaya which meant moral as well as material well-being of all sections of the community. He recognized the fact that if a Socialist democracy has to function, adequate employment opportunities should be provided to all the citizens irrespective of their caste, color, creed, etc. and thereby enable them to earn their living with self-respect and dignity.

The Gandhian principle of Trusteeship expresses the inherent responsibilities of a business enterprise to its consumers, workers, shareholders and the community, and mutual responsibilities of these to one another.

Indian social responsibility of business is a post-independence phenomenon, particularly after the Publication of Sachar Committee Report.

The Committee observed:

Every company, apart from being able to justify itself on the test of economic viability, will have to pass the test of socially responsible entity. Thus, a chemical company which may declare very high dividends may yet be responsible for polluting the water, air and would have to be named as a socially irresponsible company.

The Report made it **obligatory** on the Indian companies to report about their social responsibility.

TISCO took the lead in 1980, by incorporating a social responsibility clause in its Articles of Association, by subjecting itself to social audit and to get it published.

The late Prime Minister of India, Shri Lal Bahadur Shastri observed:

"The benefits of economic development must accrue more and more to the relatively less privileged class of the society and there should be progressive reduction of concentration of incomes, wealth and economic power. Let us look not to the immediate profit but long-term gain."

The UK based ICCSR carried out a survey of CSR activities in seven Asian Countries-India, South Korea, Thailand, Singapore, Malaysia, The Philippines and Indonesia. India ranked top by 72% of the samples revealing that CSR activities are done here extensively.

LEGISLATIONS

In order to safeguard the interest of the society and to ensure that society as a whole enjoys the fruits of industrialization, the Government of India has enacted many legislations. The Corporates discharge

their duties towards the society by complying with such provisions.

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more has to spend at least 2% of last 3 years average net profits on CSR activities as specified in Schedule VII of the Companies Act, 2013 and as amended from time to time.

SEBI as per its notification on August 13, 2012, has mentioned that enterprises are accountable to the larger society and "adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance".

SEBI has mandated the inclusion of Business Responsibility Reports as part of the annual reports of the Top 100 listed entities based on market capitalization at BSE and NSE. It is mandatory to make these reports available on the website of the company. For companies that do not belong to Top 100, inclusion of Business Responsibility Reports is not mandatory, though SEBI encourages its inclusion in the annual report and website.

Poverty in India is widespread, and a variety of methods have been proposed to measure it. The different definitions and different underlying small sample surveys used to determine poverty in India, have resulted in widely different estimates of poverty from 1950s to 2010s. In 2012, the Indian government stated 21.9% of its population is below its official poverty limit. Poverty in India is a historical reality. From late 19th century through early 20th century, under British colonial rule, poverty in India intensified, peaking in 1920s.-After India gained its independence in 1947, mass deaths from famines were prevented, but poverty increased, peaking post-independence in 1960s. Rapid economic growth since 1991, has led to sharp reductions in extreme poverty in India.

Lack of basic essentials of life such as safe drinking water, sanitation, housing, health infrastructure as well as malnutrition impact the lives of hundreds of millions. The World Bank reviewed and proposed revisions in May 2014, to its poverty calculation methodology and purchasing power parity basis for

measuring poverty worldwide, including India. According to this revised methodology, the world had 872.3 million people below the new poverty line, of which 179.6 million people lived in India. In other words, India with 17.5% of total world's population, had 20.6% share of world's poorest in 2011.

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