

# Corporate Social Responsibility: A Welcome Step in the Right Direction

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**Abstract:** *CSR is a Welcome Step towards social upliftment in India. As I am going to discuss below about its mandate of Companies Act 2013 and opinions about its voluntary feature through views of many management experts and various activities of companies.*

**Keywords:** Corporate Social Responsibility

With the passage of Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of Indian companies. The industry has responded positively to the reform measure undertaken by the government with a wide interest across the public and private sector, Indian and multinational companies. I see as a welcome step in the right direction.

Corporate drives its strength from the society and is obliged to return the favour back to the society. Under the aegis of the new Companies Act, 2013, every company with a net worth of Rs 500 crore or more or a net profit of 5 crore or more or turnover of 1000 crore or more, must utilize 2 percent of its profit through a special team constituted for this purpose. This is an important step, as it tries to fix not only a financial responsibility of CSR on the companies, but also, the operational part. Earlier, companies used to be involved in tangential CSR activities, but, now they will have to get their hands dirty in it. They need to hit the ground, constitute a body, provide funds for running it and have to discuss the results in their Annual Report.

Many feel that an object like CSR should always be voluntary, and never made compulsory, as it may discourage various companies in doing so. Social responsibility should be taken as service and should never be something pushed upon. But, I feel that looking into a broader perspective, we need to develop a culture of CSR among the corporate sector first, and this goes in the right

direction. Various Indian companies have impeccable work done as part of CSR. Tata Group has built schools, colleges, hospitals, parks and other amenities for public.<sup>1</sup> HUL's Project Shakti was aimed at empowering the women in rural areas. Similarly, ITC has collaborated with other NGOs to provide and fund education for poor children. But, sadly, this is limited to a few Corporate Houses, and for many more, it is just a simple plain farce.

Corporate Social Responsibility was for long considered to be a philanthropy exercise by the companies, with no economic value attached to it. It is really painful to see that everything in this world is seen through the prism of economic profit. But, the notion of CSR has changed in last 5 years or so. With concepts of triple bottom line profits gaining in strength, companies look to expand their social foot print as well. Noted Strategic Professor at Harvard, Michael Porter, have advocated companies to take CSR as a brand building exercise that further contributes into value creation for the companies. Intelligently utilizing money in CSR activities on the projects of impact and value creation for the society can be used to enhance the brand image of the company, create effective business and channel partners. Just taking an example of Lifebuoy from HUL during Kumbh mela, HUL team collaborated with large free food messes operating at the Mela to raise awareness about the cleanliness. They got the text imprinted on Chappatis – Aapne Lifebuoy Se haath Dhoya Kya? This kind of advertisement was something,

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where companies own missions were bundled with social responsibility.

One of the key challenges will be required magnitude of impact creation. A non-professional and divided approach to CSR may result in making sub optimal gains and nothing concrete can come out of it. Another famous Strategic Management Professor, CK Prahlad, in his book, Fortunes at the Bottom of the Pyramid, have talked about as to how we need to innovate our business models. CSR needs not be an external arm, but instead should be implicit in the business model of the company. Companies along with NGOs, Civil Society and the government must come along to find out innovative ways to tackle to social problems of poverty, illiteracy and malnutrition.<sup>2</sup> Poor people constitute the biggest and fastest growing opportunity for the companies. We must stop treating them as liabilities, and instead treat them as our customers.

To make this provision a success, the firms need to bring a change in their intent. The companies should consider their impact on environment, must not push the limits for their own economic benefit. They should strive to reduce their carbon foot prints, take precautions not to pollute or damage the environment.

I personally feel that the companies should direct their CSR activities on a specific list of projects and are sustained for a long period time, enough to create an impact. It has been widely seen that companies are engaged in Child education in one year and move to environmental awareness in the next. This does not yield the desired result. Now, with proper CSR policy and dedicated team, I am sure that first, they should be able to list down the specific cause they intend to work for. The government can also look forward to utilize their expertise their respective field for various social assistance programmes as part of CSR. In this way, we will be able to get the best out of them. Funding of Mobile Ambulances, creating various e-governance portals, creation of other soft

infrastructures and processes can be a more progressive step than those projects done in bits and pieces.

An ethical corporate governance structure of the companies forms the core of the CSR. A company which is ethical in its operation will be already taking care of their social responsibility. The daily dilemmas faced by them in various decision making and the choices they make needs to be based on clear strategy and high moral grounds. For companies it needs to be understood that they are deriving their strength from the society, as to they are integral part of this society.<sup>3</sup> They cannot function in isolation with the society. Hence, it is their responsibility to behave and function like a responsible member of the society. A social commitment along with a sound business model will go a long way in building brand equity of the organization.

Time and again, it has been proven that the organizations who have imbibed the social values in the DNA of organization have stood the test of the time and will be the ones who will call the shots in the future too.<sup>4</sup> It is this DNA which determines the success or failure of the organization. We must not see this as expenditure but rather as an investment. So I would like to conclude it by saying that it's really a welcome step towards social upliftment in india.

#### **Notes and References:**

1. [http://egazette.nic.in/WriteReadData/2013/E\\_27\\_2013\\_425.pdf](http://egazette.nic.in/WriteReadData/2013/E_27_2013_425.pdf)
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