

# Corporate Social Responsibility: An Emerging Tool for Community Development in India

Ashutosh Kumar Jha<sup>1</sup>, Dr. Navindra Kumar Totala<sup>2</sup>

<sup>1</sup>Research Scholar, Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore-452001, Madhya Pradesh, India

<sup>2</sup>Professor, Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore-452001, Madhya Pradesh, India

## Abstract

The term Corporate Social Responsibility (CSR) refers to all the activities of the corporate for uplifting the socio-economic condition of the people in the society. Although CSR is not a new concept, in the modern era the significance of Corporate Social Responsibility has increased.

Prior to the implementation of The Companies Act, 2013 corporate used to spend voluntary for community development, but after the implementation of new Companies Act, the corporates started spending in welfare activity mandatorily. This move of government brought a huge opportunity for community development. More number of companies started coming forward for welfare activity. This article discusses about the role of business organization in community development. This research paper tried to identify the spending amount and different development sectors, where the business organization spends huge amount and conduct several social activities in order to provide benefits to the society under its CSR programme.

**Keyword:** Corporate Social Responsibility, CSR, Community, Community Development

## Corporate Social Responsibility- An Introduction

In Modern days, the term corporate social responsibility (CSR) became very popular, but it has a very long history of introduction. Formal concept of CSR came in last 50 years. (Carroll,1999). The formal publications and literature on CSR begun in the early of 1930's which continues to be relevant among several stakeholders such as academic journals, business magazines, books, academician and the reports from national and international bodies as well as different non-governmental organizations working in different sectors, voluntary organization and different types of associations (Agudelo, 2019). The classical view of CSR was earlier confined to philanthropy only but later, it changed its role and shifted to business-society relationship specially relating to the contribution provided by the mid-size business organization as well as large corporations for solving the different kinds of issues related to social problems. (Ismail, 2009). It is a notion that corporations have an obligation to the different groups in the society other than stockholders and beyond the prescribed by the law and union contracts (T. M. Jones, 1980). It is conventionally defined as the social involvement, responsiveness, and accountability of the companies apart from their core profit business and beyond the requirements of the law and what is required by the government. However, this definition of CSR is becoming more and more problematic as different kinds of business cases for CSR are being made (McWilliams & Siegel, 2001). The much

popular concept of CSR has come in 1991, when A. B Carroll gave his famous concept known as Carroll's Pyramid. His four interrelated layered pyramid view of CSR is an analogy which emphasizes on interdependency of four elements—economic, legal, ethical and philanthropic responsibilities. It expects that the philanthropic responsibility of business enterprises should always remain on top priority. Generally, CSR is being identified by its strategic purpose such as legitimacy, responsibility for social externality, competitive advantage, by its drivers such as market, social regulation, soft government regulation, and by its manifestations such as economic, legal, ethical, discretionary (Carroll, 1998).

## Theories of CSR

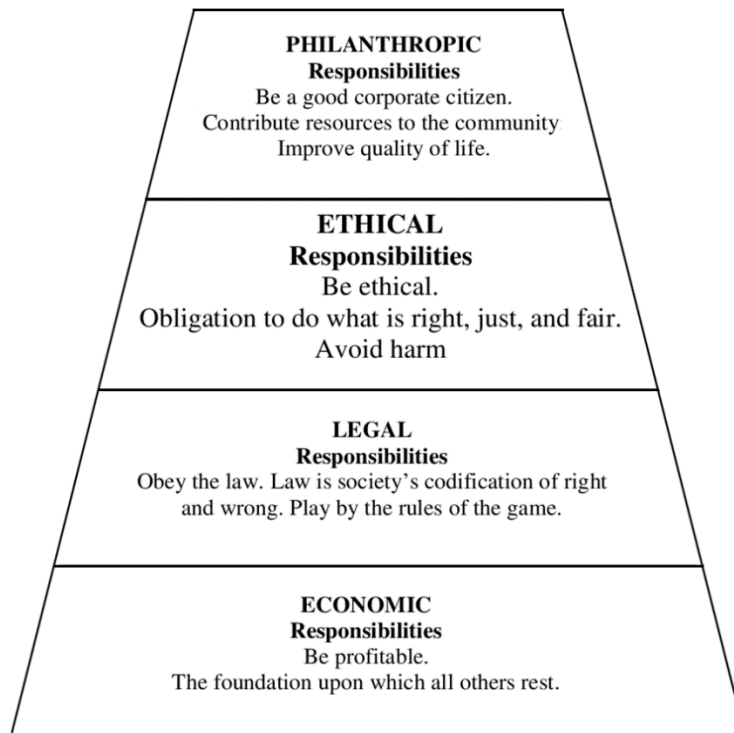
### Carroll CSR Pyramid

**A. Economic responsibility:** Carroll believed that Economic responsibility is most important aspects of CSR. To implementing CSR, the first and foremost step is to earn profit. Profit is as important as oxygen for living being, without which company cannot survive. Moreover, profits can be reinvested back to maintain company's growth and development. When any company starts operating, it deals with several stakeholders such as vendors, wholesalers, Retailers, marketing consultants, stockholders, investors, Creditors, insurance companies, banks, and financial institutes etc. All these stakeholders will be get benefited only, if the companies achieve profits. When stakeholders earn profits, as a result money circulation will improve and a company will achieve its CSR economic responsibility.

**B. Legal responsibility.** According to Carroll, Business Organization must respect laws and regulations frame by the government. Working of business organization within the limit of law enhances not only growth but also positive image among society.

**C. Ethical responsibility.** It states that Business organization must behave as a good citizen in its society. It allows Business organization to make what is good for society. Ethical responsibility ensures fair activities done by a company for the benefit of society at large.

**D. Philanthropic responsibility:** - this concept is based on giving to the society. In this responsibility business organization perform several kinds of activity dedicated to community expectation such as annual marathon or volunteering employees in donation campaigns, etc. At this level, the business organization try to satisfy what is desired by the society.



*Source: The Pyramid of Social Responsibility, (Carroll, 1991)*

### **The Triple Bottom Line Theory**

The Triple Bottom Line theory (TBL) was proposed by John Elkington in his famous book “Cannibals with Forks: The Triple Bottom Line of 21st Century Business” in 1999. The concepts of TBL are based on three dimensions of performance that is economic, social and environmental factors. These three dimensions of TBL must obtain sustainability. Companies apply TBL in order to achieve continuous growth, sustainable profits and long-term social and environmental projects. According to TBL theory the most important for a company is not to make high profits but to achieve continuous growth and profit for the long term.

### **Stakeholder theory**

Any identifiable group or individual who can affect the achievement of an organization's objectives or who are affected by the achievement of an organization's objectives is called Stakeholder (Freeman, 2010). Stakeholder theory proposes that objectives of a business organization can be achieved only by protecting and balancing the interests of different stakeholders.

### **CSR in India**

Corporate social Responsibility in India has a long history. Indian industrialist has always inclination towards philanthropic activity. Several families from traditional merchant communities in India participated not only in freedom struggle but also socio – economic development process (Arora, 2004). Mahatma Gandhi came up with idea of Trusteeship, this theory states that all the assets of a company must held by a Trust, the company should keep only a portion of its profit for the survival and rest of amount must go to welfare of the society. As an impact of this theory the owner of business organization started significant contributions to schools, colleges and hospitals, and later shifted to supporting

technical training, public health, employment, and rural development. (Arora, 2004). In 2019, Ministry of Corporate Affairs, Government of India, issued voluntary guideline on corporate social Responsibility. It was the first step to materialize the concept of social welfare by legal way. Government of India took a historical decision in 2013, and introduced The Companies Bill, 2013 in the parliament. The Companies Act, 2013 came in force on 1<sup>st</sup> April 2014, which made CSR spending from voluntary to compulsory. In 2022, National CSR exchange portal has been launched by Ministry of Corporate Affairs; it will help Corporate to identify suitable Implementing Agencies/NGOs for successful implementation of their CSR Projects and also in reducing their transaction cost.

### **What is Community?**

The word community originated from a Latin word MUNUS-CUM, which means “to give each other”. A community is a collection of people, which shares ‘sense of identity’ and ‘homogeneity’ in terms of social, cultural, economic, regional, linguistic etc. R. M. MacIver and Charles H. Page gave the definition of community in his book Society that “a community is the members of any group, small or large, live together in such a way that they share, not only particular interest, but the basic condition of common life, such group is called a community”. Robert Bellah and other define the term community as “a group of people who are socially interdependent, participate together in discussion and decision-making activity, and share certain practices that both define the community and are nurtured by it.” Bryon Munon, (1968) defines Community as “It is a relatively self-sufficient population, residing in a limited geographic area, which is bound together by feelings of unity and interdependency.” However, Melvin Webber (1964) defined the word community in his book on urban planning as “community is where one lives and consequently where one finds meaningful community interactions and social relations”. He tried to challenge the old concepts of community which believed that communities exist only among people in a bounded geographical area such as a neighborhood, small town, villages, or even a city.

### **Community Development**

Community development may be defined as a process by which the efforts of the people are combined with other authorities such as government, NGOs, Corporate, to improve its economic, social and cultural conditions. It is a collaborative, facilitative process by the people who share a common purpose of building capacity to have a positive impact on the quality of life. It is a process of developing, active, efficient and sustainable communities based on social justice and mutual respect. It acts as a power structure to remove all those barriers which prevent people from participating in community development programs. The purpose of community development is to meet the psychological needs such as belonging, practical needs such as mutual care, and the political need such as participation and campaigning for rights and resources. In this process, the role of Community Development workers become important, Community Development workers ensures the adequate and active participation of people in the process. Indeed, Community Development expresses the different kinds of values such as identity, fairness, equality, accountability, opportunity, active participation, mutuality, and learning.

### Roles of CSR in Community Development

CSR plays an important role in community development by providing required amount of resources to deprived section of the society. The amount of resources is directly link with the expenditure by the corporates. The expenses incurred by the different business organization in different states have been given in the table-1.

**Table -1 CSR Expenditure in different States**

SN	State	2018-2019 (INR Cr.)	2019-2020 (INR Cr.)	2020-2021 (INR Cr.)
1	Andaman And Nicobar	0.82	1.29	2.26
2	Andhra Pradesh	668.72	720.62	588.67
3	Arunachal Pradesh	24.56	18.02	6.42
4	Assam	210.22	288.49	160.78
5	Bihar	140.14	144.16	56.29
6	Chandigarh	11.95	15.72	7.20
7	Chhattisgarh	150.30	261.61	283.14
8	Dadra And Nagar Haveli	13.48	19.12	7.02
9	Daman And Diu	6.25	9.69	3.13
10	Delhi	807.90	935.48	839.65
11	Goa	49.46	48.53	32.53
12	Gujarat	1087.97	995.60	1166.84
13	Haryana	381.20	528.81	398.45
14	Himachal Pradesh	81.25	82.10	98.59
15	Jammu And Kashmir	36.55	25.54	33.82
16	Jharkhand	112.35	156.52	188.35
17	Karnataka	1280.24	1483.49	966.62
18	Kerala	444.12	305.04	321.10
19	Lakshadweep	0.39	1.00	0
20	Madhya Pradesh	255.84	216.48	273.88
21	Maharashtra	3206.58	3426.79	2646.46
22	Manipur	7.81	14.21	6.28
23	Meghalaya	18.12	19.74	8.71
24	Mizoram	0.11	0.25	0.49
25	Nagaland	2.14	5.10	2.98
26	Odisha	690.77	752.43	495.72
27	Pan India	7218.07	10664.85	8802.30
28	Puducherry	9.15	11.40	10.44
29	Punjab	167.36	189.69	95.16
30	Rajasthan	603.84	735.05	454.08
31	Sikkim	5.87	12.72	13.85
32	Tamil Nadu	900.23	1110.15	749.03
33	Telangana	439.44	451.92	343.38

34	Tripura	23.06	9.40	8.20
35	Uttar Pradesh	524.46	584.59	680.24
36	Uttarakhand	178.19	128.64	113.10
37	West Bengal	386.48	454.82	316.98
<b>38</b>	<b>Grand Total</b>	<b>20150.13</b>	<b>24860.70</b>	<b>20358.89</b>

*Source: National CSR Portal, Ministry of Corporate Affairs, Government of India*

### **Development Sectors in CSR**

Government of India introduced several development areas in Schedule VII of The Companies Act 2013. The social welfare activities perform in following development area comes under Corporate Social Responsibility.

#### **Education, Differently Able, Livelihood**

In this category, activity related to Promoting quality education in schools and colleges, including special education for differently able person as well as enhancing vocation skills among children, youth, elderly, women and the differently able person has been included. It also includes employment generation programs among youth and women and livelihood enhancement projects.

#### **Encouraging Sports**

It includes activity related to sports. The main aim of this area is to provide training to promote rural sports, nationally and internationally recognized sports, Paralympics sports for differently able person and Olympic sports.

#### **Environment, Animal Welfare, Conservation of Forest**

This category basically focuses on environmental sustainability. The objective of this area is to ensure environmental sustainability, ecological balance, protection of flora and fauna. It also focuses on animal welfare, agro forestry, conservation of natural resources as well as maintaining quality of soil, air and water.

#### **Gender equality old age homes women empowerment reducing inequality**

This area mainly focuses on promoting gender equality through empowering women and reducing inequalities faced by socially and economically backward people. It also emphasizes on constructing homes and hostels for women and orphans as well as It provides financial assistance in constructing old age homes.

#### **Health Eradicating hunger poverty and malnutrition safe drinking water and sanitation**

This area focuses on eradicating hunger; poverty and malnutrition from deprive and marginalizes section of society. It also promotes health care, hygiene and sanitation as well as it also includes contribution to the Swatch Bharat Kosh.

## **Heritage, Art and Culture**

This category focuses on protection of national heritage, art and culture including restoration of historical buildings and sites. It also focuses on setting up public libraries and development of traditional art and handicrafts.

## **Prime Minister Relief Fund**

This area of development mainly focusses on contribution to the Prime Minister's National Relief Fund (PMNRF) and Prime Minister's Citizen Assistance and Relief in Emergency Situations popularly known as PM CARES Fund or any other fund established by the government of India for providing relief to the needy people as well as enhancing socio economic condition of the deprived people of the society.

## **Rural development**

Rural Development is very important for developing economies such as India, where two-third population lives in rural area. This category mainly focuses on improving the socio-economic condition of people living in rural areas.

## **Slum Area Development**

Slum area is one of the biggest challenges for urban development. Government of India defined slum area in section 135 of 'The companies Act, 2013' via notification 7<sup>th</sup> August 2014, that 'slum area' shall mean any area declared as such by Central Government or any State Government or any other competent authority under any law for the time being in force.

## **Clean Ganga Fund**

Ganga is very important river of India. Indeed, it is life line for people living in north part of India. Government of India set-up 'Clean Ganga Fund' for rejuvenation of the river Ganga.

## **Disaster Management**

This category mainly focuses on disaster management. It includes relief, rehabilitation and reconstruction activities in the area where people get affected by any natural calamity such as flood, fire, earthquake etc.

## **Any Other Fund**

In this category, the miscellaneous types of contributions have been included. It mainly focuses on growth and development of higher education and research institutes such as Universities, Institute of National Importance such as Indian Institute of Technology, National Institute of Technology, Department under different kinds of Ministry of Government of India such as Department of Pharmaceuticals, Department of Biotechnology, Department of Science and Technology, research organization under Defense Ministry that is Defense Research and Development Organization ,other types of research organization such as Indian Council of Agricultural Research, Indian Council of Medical Research, and Council of Scientific and Industrial Research, etc. It emphasizes on promoting Sustainable Development Goals (SDGs) through research in science, technology, engineering and medicine.

**Table -2 CSR Expenditure across different development sectors in three financial years.**

SN	Development Sector	2018-19(INR Cr.)	2019-20(INR Cr.)	2020-21(INR Cr.)
1	Agro Forestry	64.75	67.35	17.22
2	Animal Welfare	98.28	105.34	139.83
3	Armed Forces, Veterans, War Widows	90.18	61.91	66.18
4	Clean Ganga Fund	8.11	6.63	7.22
5	Gender Equality	51.81	82.93	26.67
6	Health Care	3605.16	4886.32	5474.42
7	Other Central Government Funds	730.96	930.44	1327.85
8	Poverty, Eradicating Hunger and Malnutrition	1189.15	1147.95	977.73
9	Sanitation	506.66	521.16	292.45
10	Senior Citizens Welfare	44.97	52.18	37.61
11	Setting up Homes And Hostels for Women	57.00	47.78	28.22
12	Setting Up Orphanage	12.89	36.47	9.58
13	Special Education	185.59	196.81	178.59
14	Technology Incubators	32.09	53.50	50.55
15	Vocational Skills	798.11	1165.12	574.14
16	Art And Culture	225.08	932.74	396.97
17	Conservation Of Natural Resources	173.55	159.20	78.54
18	Prime Minister's National Relief Fund	320.46	796.98	1452.94
19	Safe Drinking Water	226.79	252.99	175.06
20	Slum Area Development	51.06	42.91	16.63
21	Socio-Economic Inequalities	167.84	214.64	85.47
22	Swachh Bharat Kosh	95.50	53.37	148.14
23	Women Empowerment	236.34	259.14	135.24
24	Environmental Sustainability	1364.21	1461.31	799.54
25	Livelihood Enhancement Projects	906.77	1077.05	654.60
26	Rural Development Projects	2418.09	2289.02	1671.45
27	Education	6092.24	7154.13	5056.19
28	Training To Promote Sports	308.87	301.92	212.57

**Source:** National CSR Portal, Ministry of Corporate Affairs, Government of India



### Transformation of Aspirational Districts Programme

Government of India has launched a new programme 'Transformation of Aspirational Districts'. The main aim of this programme is to improve the socio-economic status of 112 districts from across 28 states of India. It focus on least developed districts of the country in the area of Health and Nutrition, Agriculture and Water Resource, Education, Financial Inclusion and Skill Development, Basic Infrastructure. These 112 districts have been identified on the basis of some parameter, which are poverty of their citizens, relatively poor health and nutrition, education status and deficient infrastructure. It is to be expected that CSR programme shall enhance the progress of community development in India through growth and development of selected district.

### Conclusion

The meaning of Corporate Social Responsibility (CSR) has shifted from philanthropy to business-society relationship relating to the contribution provided by the business organization for solving social problems. In recent years, CSR emerged as a powerful tool for community development. It is contributing in several development sectors across pan India parallel to the government. Millions of people in India have benefited from scheme launched by the business organization. CSR Expenditure data shows that the expenditure spent by business organization is in increasing order; it implements more and more projects in undeveloped area for covering more unprivileged and deprived people of the society. If the companies will achieve its economic goal without jeopardizing the social goals, it would be beneficial for company, government and Society.

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