

Corporate Social Responsibility in Rural Development Sector: An Introduction

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ABSTRACT

This paper is on Corporate Social Responsibility (CSR) practices particularly in the context of rural development. This paper examines the relationship between CSR and corporate initiative taken by companies for rural development. CSR initiatives have taken for development of rural areas and what is the business strategy for implementation of corporate initiatives of corporate social responsibility. It evaluates impacts of CSR actions on the socio and economic development of rural people. For this purpose, some issues from rural area have been selected to study their CSR practices in the context of rural development. The methodology of the present study relied on the web-based research, review of print literature and visit to the selected sites to witness CSR practice. The paper concludes that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, and business goal. Therefore, CSR actions have positive impacts not only on development of rural community but also in their business.

Key Words: Corporate Social Responsibility (CSR), Rural Development, Rural Participants.

INTRODUCTION

The beginning of 21st century in India has seen the term CSR coming to the forefront of development of discussion. In recent times, the Corporate Social Responsibility is emerging as a significant feature of business philosophy, reflecting the impact of business on society in the context of sustainable development. The emerging perspective on corporate social responsibility focuses on responsibility towards all stakeholders: shareholders, employees, creditors, suppliers, government, and community rather than only on maximization of profit for shareholders. CSR not only includes corporate regulatory compliance, but also refers to the act of making business successful through balanced, voluntary approaches to environmental and social issues in a way that is helpful to the society (Sarita Moharana, 2013). There are many studies conducted on CSR and Rural development in India as well abroad and these studies may be very helpful for understanding the behaviour of rural participants in the emerging market in their rural area.

What is Corporate Social Responsibility? The world business council for sustainable development in its publication defines “CSR means Making Good Business Sense”. Holme and Watts (2010), used the following definition. “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”.

CSR and Rural Development in India: Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximisation goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

Growing importance of CSR: Corporate social responsibility (CSR) is the responsibility recognized by the companies for acting in socially responsible manner. There is no single universally accepted definition of corporate social responsibility, it has generally come to mean business decision making linked to ethical values, legal compliance, and respect for people, community, and environment. CSR expects a company to go further than required by law so as to: Treat employees fairly and with respect, Operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders, and others, Respect human rights, Sustain the environment for future generations and be a responsible neighbour in the community and a good ‘corporate

citizen'. Therefore, there is a need to study and understand how corporate enterprises are using CSR initiatives. Divided into four sections, the present paper shall review literature related to CSR practices of corporate enterprises in section one. Section two describes the present study which includes objectives, methodology and limitations of the study. Section three discusses important results and section four concludes the study.

Benefits of CSR to Rural Development: Win new business, Increase customer retention. Develop and enhance relationships with customers, suppliers and networks. Attract, retain and maintain a happy workforce and be an employer of choice. Save money on energy and operating costs and managing risk. Differentiate yourself from your competitors. General innovation and learning and enhance your influence. Improve your business reputation and standing. Provide access to investment and funding opportunities.

CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is represented by the contributions undertaken by companies to society through its business activities and its social investment. CSR has been making an increasingly prominent impact in the Indian social system by supplementing development projects. But it is not a novel concept in India as its historical roots goes till the Vedic age. Today Banking Sector growing larger and powerful than before. Various Non-government organizations put pressure on Banks to act responsibly towards their stakeholders.

The Pyramid of Social Responsibility



Source: Carroll (1991)

(Carroll's four-part model of corporate social responsibility (Carroll, 1991))

Thus pressure has given rise to the concept named Corporate Social Responsibility. CSR defined as “the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.” (Carrol and Buchholtz, 2000:35). Exactly what responsibility companies have towards society has been discussed for some decades now. A fundamental model which could be argued to reflect the outcome of this discussion is Carroll's (1991).

Economic Responsibilities: The first responsibility of the company towards society refers to running the business as an economically healthy unit. It includes aspects such as return on investment for shareholders, fair employee salaries, and quality products supplied to customers at fair prices; all required by the society. (Crane & Matten, 2004)

Legal Responsibilities: Demands that companies act in accordance with existing legislation and regulatory requirements. The legal framework consequentially fosters society's ethical view and all companies attempting to be socially responsible are therefore required by society to follow the law. (Crane &Matten, 2004)

Ethical Responsibilities: It refers to corporation's responsibilities which are not covered by legal or economical requirements, but instead by what could be considered as right or fair in the eyes of society. Society therefore expects corporations to act ethically towards their stakeholders. (Crane &Matten, 2004)

Philanthropic Responsibilities: This involves corporation's willingness to enhance the quality of living for their stakeholders (i.e. employees, local community, and society at large) through charitable donations and organizational support. These corporate decisions are entirely voluntary, of less importance than the former three, and (with regards to social responsibility) only seen as desired by society. (Crane &Matten, 2004)

LITERATURE REVIEW

Sanjay Pradhan, AkhileshRanjan (2010), the paper concludes that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, and business goal. Therefore, CSR actions have positive impacts not only on development of rural community but also in their business. The authors reveal some lesson on CSR practices in India which can provide guidance to corporate entities for better implementation of CSR activities.

Anupam Sharma and Ravi Kiran (2012) explains Corporate social responsibility (CSR) is emerging as a new field in the management research. In India, many firms have taken the initiatives of CSR practices which have met with varying needs of the society. The present study has made an attempt to understand the status and progress and initiatives made by large firms of India in context to CSR policy framing and implementation. Data has been collected from the official websites of the firms, in-person interviews and through structured questionnaire. The CSR initiatives in context to health, education and environment sector to be rated by the interviewee were identified from the literature. Based on the information and discussions mentioned a matrix of various policy factors has been prepared. All initiatives factors have been rated on the scale of 1 to 5. Results of the study depicts that IT and Auto industry is more going for taking up CSR initiatives while FMCG sector has focused yet not too much into the social responsibility initiatives. Although India has entered or taken a transformational change by involving into new CSR initiatives, but still a lot has to be done in this area.

Dr.JitenderLoura (2014) concludes that the obligation of the industry and big corporate houses towards the society are being fulfilled in one form or the other since the time these industries existed. In India, the corporate giants like Birla and Tata were practicing Social Responsibility in the form of donations and charity before formally accepting the CSR nomenclature. This paper examines how Public Sector Undertakings (PSUs) view and Conduct CSR identifies key CSR practices and maps these against Global Reporting Initiative Standards. This paper attempts to explore Corporate Social Responsibility practices in PSU's in the context of rural development. The methodology of this study is based on Secondary data derived from internet-based research, review of literature and visit to Airports Authority of India (AAI), A Miniratna - Category -1 PSU. To witness CSR practices. For the purpose of analysis, CSR initiatives for rural development were classified under five areas: livelihood, health, education, environment and infrastructure. The paper concludes that social responsibility is regarded as an important business issue of Indian public sector companies irrespective of turnover, sector and goal. The CSR actions thus may have positive impact on the development of rural community as well as on PSU's business.

Ayush Kumar &Kavita Singh (2015) provides Social Responsibility is the commitment of corporate houses towards the society. Corporations must take into account, their decision and operations that are going to affect the masses at large. CSR shows the way business achieves ethical and moral standards and gets an equitable distribution of economic, social and natural resources to fulfil the suppositions of their stakeholders. Corporate Social Responsibility is not only confined towards customers but also towards their employees, suppliers, investors/shareholders and government too as they actually constitute a society surrounded with an interactive environment. This research is mainly focus on holistic view of CSR and recent CSR practices of corporate houses to develop the rural areas through providing basic infrastructural services and also trying to remove regional imbalance caused due to operational loopholes or inability of authorized agencies.

Dharamshi Pratik and Dr. Bora Chandan (2014) highlighted corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. It is also called as corporate conscience, citizenship, social performance, or sustainable responsible business. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law,

ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making that is the core business of the company or firm, and the honouring of a triple bottom line: people, planet, profit.

Vivek Wankhade (2014) explained the Corporate Social Responsibility is the commitment of the corporate for the equitable growth & sustainable development of the society. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. In this context the present paper examines the corporate social responsibility spending of the Indian companies. The study also focused on the comparative analysis of Corporate Social Responsibility spending as a percentage of PAT & the transparency score of the Public sector companies & Private sector companies.

Sarita Moharana (2013) shows Corporate Social Responsibility is the mechanism through which the corporate organizations have executed their philanthropic visions for social welfare. It is a powerful way of making sustainable competitive profit and achieving lasting values for stakeholder as well as shareholder. "Corporate Social Responsibility is very popular in financial sector, which the financial crisis did not damage as perceptible as in other countries of developed economies (Singer, 2009)". The process of Globalization creates competition among financial organizations to perform according to the internationally compatible trade practices. So this instigated them to divert their available resources to do more social activities. Nowadays, many nationalized banks in India have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth. The main objective of this study is to analyze the CSR activities carried out by selected nationalized banks of India. An attempt has been made to analyze the existing CSR practices of five nationalized banks i.e., Allahabad Bank, Andhra Bank, Bank of Baroda, State Bank of India, and Uco Bank. It has been found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. The analysis shows that, these banks are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities by the banks, which is possible by adding more and more social development issues link with corporate sector.

Nanjunda(2015) shows Corporate Social Responsibility (CSR) has much bigger implications for inclusive development of the any country. It reduces dependency on the government for social expenditure and helps in speedy inclusive growth. The scale of CSR emerged significantly in the last decade in India. Since business houses required doing business in the society it would be an obligation on their part to share a small portion of their profit for the betterment of society. To relate fundamental business philosophy to make CSR sharper, smarter, and focused is what really matters and is the core part of any business in the 21st century. However, critiques are emerging on the recent Government bill on CSR which makes mandatory on the part of the companies to spend a small portion of their profit for the social causes. Many companies have invested noted share of profits in various social development sectors. Also, there is research evidence to show that CSR work of the companies have reached where government could not reach so far. However, there are some reports showing most of the companies have not even have CSR policies yet. All though various Indian corporate involved in CSR activities; it is not enough when contrast to their actual financial strength. This paper gives a solid background for the discussion about the possible role of CSR with respect to Social Inclusion.

OBJECTIVES AND METHODOLOGY OF THE STUDY

The study is based on proper methodology which comprises wide discussion with the selected retailers, industrialists, economists and academicians. The study is based on the secondary data. The main objectives of the study are:

- To study and understand the CSR initiatives being taken by selected public and private Indian companies for rural development;
- To assess the impacts of CSR actions on socioeconomic development of rural population in India.
- To study the concept of CSR
- To review the CSR initiatives in Indian rural sector

RESULTS AND DISCUSSION

The 2009 CSR guidelines define ONGC's role on corporate social responsibility emphasizing transformation of the organization from "Philanthropy" to "stakeholder participation". The concept of CSR has gained importance with the emergence of globalization and liberalization. As this, brings the awareness among the investors and customers too regarding the preserving the environment and benefiting the society.

CSR Policies and initiatives: The study shows that all surveyed PSUs were having CSR policies and practices. All surveyed PSUs reflect their CSR philosophy or social, environmental and ethical objectives in mission statements. From the interpretation of data, it can be concluded that education takes the top priority of the PSUs surveyed, followed by health and livelihood.

Education: AAI has undertaken establishment of a computer training centre to facilitate basic computer skills for the children and to provide infotainment for senior citizens of Ayudhyam for a total cost of Rs. 7,10,000/- .

Environment: For sustainable management and development of natural resources, many companies have been working for tree plantation, watershed management, waste management, wind farm etc.

Infrastructure: Out of the PSUs surveyed only two PSUs are providing different infrastructural facilities like construction or development of roads, electricity, water facility, sanitation, school, health centre etc. on a war footing level and AAI's role is marginal.

Health: Health plays a vital role in everybody's life. All the public sector banks have taken various initiatives, various programs in the field of health. State Bank of India for the financial year 2012-13, earmarked Rs.117.07 crore i.e. 1% of SBI's previous year profit for CSR activity. In Allahabad bank Corporate Social Responsibility (CSR) was introduced for the first time in the Bank in September / October, 2012. The bank give financial support to Provision of arsenic-free drinking water in a village, Contribution towards development of the interior of a high quality diagnostic clinic meant for the economically weaker sections of the society.

Rural Development: All the public sector banks are having highest number of rural branches in India. So, all the banks take steps for development of rural people. The State Bank of India (SBI) is committed to spending one per cent of its profits in social welfare activities for the benefit of the community. Accordingly, while the bank's profit last year was Rs. 8,200 crore, it spent Rs. 82 crore in community welfare activities under its corporate social responsibility, according to its Deputy Managing Director Sharad Sharma. RBI said to every bank that they should spent 1% of the net profit on CSR activities. UCO Bank has received the "Second Position for National Award" for Excellence in Micro Enterprises Lending during 2007-08.

Social Community Welfare: As per the data highest number of banks has contributed for social community welfare activity. State Bank of India is always in forefront to help states affected by natural calamities. During the current fiscal SBI has lent its helping hand to the States of Assam, Sikkim, Uttarkhand, Maharashtra etc. with donation to Chief Minister's Relief fund to respective States provide to the people affected by flood to a tune of Rs.9.00 crore.

RECOMMENDATION AND SUGGESTIONS

- There is a need to develop a strategic approach to CSR based on understanding of the impacts and the tipping points in resource shortage or price rises.
- There is need to enhance the initiatives through CSR by Indian companies especially in the Education and Environment Protection of rural sector.
- Through CSR it is possible to presents an opportunity to demonstrate corporate values, distinctiveness, and employee brand as well as deliver governance.

CONCLUSION

In the ever changing markets Globalization and liberalization are the buzz words. In the age of globalised world, the concept of CSR can't be ignored by the corporate firms. By keeping in mind the changing market scenario business firms have to change their work culture as per the market demands. The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavour to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do well

and get self-satisfaction in return as well as societal obligation of business. The conclusion of this study is that social responsibility is regarded as an important business issue of Indian PSUs irrespective of size, sector, business goal, location of the enterprise. Because Indian PSUs are realizing that without socio-economic development of the local communities, there can be no stability and sustainability for doing business so as to compete with the global market. The perspective of Corporate Social Responsibility by initiating social and community initiatives is to benefit the society and nation at large which sought to be achieved through the participation of its employees. Though these five banking sectors have taken effect in the era of CSR but it is not satisfactory.

CSR can play a valuable role in ensuring that the invisible hand acts, as intended, to produce the social good. In addition, it seems clear that a CSR program can be a profitable element of corporate strategy, contributing to risk management and to the maintenance of relationships that are important to long-term profitability. It considers that a company was not just a self-corporate and its actions are also essential to the environment, society and economy in which they function. Further, the corporate and the business in universal will work on their main objective of maximizing their shareholders earnings should also remain in community concerns, needs and act sensibly towards the inclusive society in which they function.

SCOPE FOR FURTHER RESEARCH&LIMITATIONS OF THE STUDY

- Comparative analysis of CSR Interventions in different sectors by Public Sector Companies & Private Sector Companies in rural sector.
- Study of CSR linkage with Profitability of the Company in rural area.

LIMITATIONS

The main limitation of this paper is that this study has only focused on some basic information of CSR and Rural Development. Secondly, information collected from print literature, websites of these companies and no primary data were collected directly from the stakeholders through interviews or surveys.

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