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## Changing scenario of corporate social responsibility (CSR) in an era of globalization

**Pooja Rani, MS Khan**

### Abstract

In recent years, Corporate Social Responsibility (CSR) is attracting the attention of all the stake holders across the globe and particularly is the most emerging and debatable subject in India. The paper highlights the changing dimension of CSR for Indian economy and society at length. The paper has attempted to find out the changing pattern of CSR right from the olden days to the days of globalization and has found that CSR has gone a sea change in its area and application. The paper finds that CSR is not only engaged in social work rather has added many new areas like health, education, child welfare, women empowerment, poverty alleviation etc in its armoury. The Company's Bill 2013 has made the CSR mandatory for all companies. CSR which used to be voluntary contribution by companies has now been included in law & the Companies which are not taking CSR seriously; have to focus on CSR legally. The outcome of this study will give Indian society a new hope of expectation and will help the society in moving forward where the role of corporate will be clearly defined and the corporate will be made accountable and responsible.

**Keywords:** Corporate Social Responsibility, Globalization, Mandatory, Armoury, Poverty alleviation.

### 1. Introduction

The concept of CSR originated in the 1950's in the USA but it became prevalent in early 1970s. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. CSR has matured over the past decade. It has been driven by a combination of evolving global guidelines, increments of stakeholder expectation, customer awareness, more demanding corporate disclosure requirement and voluntary initiatives by the corporate leaders towards CSR. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders – including shareholders, employees, customers, environment and society. CSR is a platform whereby organization and society come together for supporting each other in many different ways and they both can be beneficial through the CSR activities. One side the society get a lot of benefit from organization like social welfare, financial assistance for poor people, green environment, charity and donation provided by the organization for social upliftment, education welfare, women empowerment, rural development etc, other side organization also get many benefits in return like financial benefit, market growth, improve government relation, increase customer trust, improve labour market, increase employee loyalty and pride etc. Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses. It has become a public relation tool of global corporations to convince consumers it is OK to keep buying. As globalization accelerates, large corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe.

**1.1. Meaning and concept of CSR:** Corporate social responsibility also called corporate conscience, corporate citizenship or sustainable responsible business; Responsible Business is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is

required by law." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. Carroll's (1991) has defined pyramid of corporate social responsibility, which has divided in four types. The first and most important is the economic responsibility. That is to be profitable. The second is the legal responsibility. That is to obey the laws set up by society. The third is called ethical responsibility. That is to do what is right even when business

is not compelled to do so by law and the last one is the philanthropic responsibility. Also called the discretionary responsibility, it is best defined by the resources contributed by corporations toward social, educational, recreational and/or cultural purposes. The pyramid of CSR is illustrated in figure.

Arora & Puranik (2004) [2] defined the four models of corporate responsibility. Table 1 shows the models of CSR. (See the page no)

**Table 1:** Models of Corporate Social Responsibility

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K Gandhi
Statist	State ownership and legal requirements determine Corporate responsibilities	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners(shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders-customers, employees, communities, etc	R. Edward Freeman

Source: Arora & Puranik (2004) [2]



**Fig 1-** Pyramid of CSR

Source: Archie Carroll's (1991)

**1.2. Definitions of Corporate Social Responsibility**

Several terms have been used interchangeably with the corporate social responsibility like business ethics, corporate citizenship, corporate accountability, sustainability & corporate responsibility. Thus there is no clear-cut definition

so that CSR can be defined clearly. It basically depends organization to organization depending on various CSR objectives with the same basic objectives. Table 2 shows the definitions of CSR. (See the page no)

**Table 2:** Definitions of Corporate Social Responsibility

CSR definitions from different sources	Definition of CSR
Bowen (1953)	The obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives & values of our society.
World Business Council for Sustainable Development (WBCSD) (2000)	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and society at large.
Draft of ISO 26000, International Guidance standard on Social Responsibility ( 2009)	Corporate responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that (a) Contribute to sustainable development, health and the welfare of society; (b) Takes into account the expectations of stakeholders ; (c) Is in compliance with activities law and consistent with international norms of behavior; and (d) Is integrated through the organization and practiced in its relationship.
Dalai (2011)	CSR is related to environment protection, community involvement, business standard, enterprise & economic development, health promotion, education, leadership development, human disaster relief, etc.

**1.3. Research objective:** The present study is based on some objectives, which are given under.

- To define the concept of corporate social responsibility & its evolution in India.
- To find out the changing pattern of CSR right from the olden days to the days of globalization.

**2. Research Methodology**

Keeping in mind to the objectives of the study following methodology has been adopted. The present study has been undertaken to examine the changing scenario of CSR in an era of globalization. This study is exploratory and descriptive in nature. The data required for the study has been collected from the secondary sources include official websites, books, magazines, research articles and Journals. Keeping in mind

the objective of studies different news articles, books, research paper & websites has been reviewed. Moreover, the academic wisdom and knowledge of both the author and co-author of this paper is being used to prepare this paper.

**3. Result & Discussion**

**3.1. Evolution of CSR in India from the old era to globalization era**

To define the changing scenario of corporate social responsibility in new era of globalization this is very important to find the evolution of CSR in India So that we can understand the journey of CSR from starting to till date. The evolution in India can be classified into four phases & Table 3 shows the evolution of CSR. (See the page no)

**Table 3:** Evolution of Corporate Social Responsibility

Phase	Key thrust	Key strategies
<i>Phase I (1850- 1914)</i>	Pure philanthropy and charity during industrialization, Corporation is responsible to owners and managers only	The oldest form of CSR was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process.
<i>Phase II (1914-1960)</i>	CSR for India’s social development during the independence struggle, Corporation is for owners, managers and employees	CSR for India’s social Dominated by the country’s struggle for independence and influenced fundamentally by Gandhi’s theory of trusteeship for consolidation and amplification of social development. Gandhi’s reform programs which included activities that sought in particular abolition of untouchability, women’s empowerment and rural development.
<i>Phase III (1960-1980)</i>	CSR under the paradigm of the mixed economy. Corporation is responsible to owners, managers and other target environment	The paradigm of mixed economy with the emergence of legislation on labor and Environmental standards, affected the third phase of Indian CSR This phase Is also characterized by a shift from corporate self regulation to strict legal and public regulation of business activities.
<i>Phase IV (1980 to 2013)</i>	CSR at the Interface between philanthropic and business approaches. CSR in a globalized world in a confused	Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach.

Source: Based on Survey of Literature on CSR and Sundar (2000) [3]

**3.2. New dimensions of corporate social responsibility (CSR)**

In the old era CSR was based on three dimensions approach that is called on the triple bottom line (TBL). According to TBL approach CSR only focus in three areas like People, profit and planet and considered in the three dimensions of growth and maintaining relation with various shareholders on the basis of transparency and dialogue. As per as the old dimension, CSR typically includes “beyond law” commitments and activities pertaining to in very limited areas. but In the new era “The Ministry of Corporate Affairs” has noticed section 135 and schedule V11 of the Companies act 2013 as well the provisions of companies (CSR policy) rules, 2014 to come in to affect from April 1, 2014. The rules, effective April 2014, embrace both private and public firms, and spell out a variety to activities for companies to undertake in order to meet their obligation. Thus the 2013 Act has introduced several provisions which would change the way Indian corporates do business. There is also one such provision given regarding spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been noncompulsory contribution, by corporates has now been included in law. Act states that every company having net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more, or net profit of Rs 5 crore or more during any financial year have to spend at least 2% of the average net profit, If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the

amount. The act also defined the major focus areas of CSR activities as well. Table no 4 is given to describe both of the dimension of CSR. (See the page no)

Observation: As per as evolution and dimensions of CSR it is very clearly defined CSR journey from start to till date in India thus we can understand that how CSR became a legislation for corporates from a voluntary basis initiatives. In the old days phase 1<sup>st</sup> CSR was in terms of charity and philanthropy. Charity refers to the relief of suffering while philanthropy is the seeking out of the root causes of social problems and solving them. That time the businessmen used to donate a part of their profit freedom reformation and reinvested them in setting up new industries. In phase 2<sup>nd</sup> Mahatma Gandhi introduced a theory of trusteeship. This theory put pressure on various industrialists to act towards building nation and its socio economic development. In 3<sup>rd</sup> mixed economy introduced. This led to enactment of legislation regarding corporate governance, labor, and environmental issues. In phase 4<sup>th</sup> globalization era has been started. Globalization transformed India in to an important destination in terms of productions and manufacturing bases of transactional corporations (TNCs). So Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach. In this era organizations started to focus on CSR activities. The big corporate leaders like *Tata, Titan, Cocacola, Wipro, Nestle Multinational,*

Oncg are spending a huge amount on CSR activities in different sectors like environment protection, education sector, rural development, women empowerment, health care etc. many other organizations are also doing CSR activities. The organizations are also running their trust and foundations for implementing of CSR activities in a proper manner. These all phases followed the old dimensions of

CSR. Because till last phases CSR was not on compulsory basis. But new companies bill, 2013 replaced to the 1956 companies' bill and the companies act, 2013 has passed a provision spending on CSR activities. CSR which has largely been voluntary contribution, by corporates has now been included in law. now CSR is compulsory and this act also has given new dimensions of CSR.

**Table 4:** Dimensions of Corporate Social Responsibility

Old era of Dimension	New era of Dimension
<p style="text-align: center;"><b>CSR Activities</b></p> <p>Corporate governance ethics Charity &amp; Donations Health &amp; safety Human rights &amp; himan disaster relief Sustainable development Industrial relation Community development and investment Corporate Philanthropy and employee volunteering Enterprise &amp; economic development Education welfare Rural development Women empowerment Employee welfare Customer welfare</p>	<p style="text-align: center;"><b>CSR Activities</b></p> <p>Eradicating extreme hunger and poverty Promotion of education Promoting gender equality and empowering women Reducing child mortality and improving maternal health Combating human immunodeficiency virus, acquired Immune deficiency syndrome, malaria and other diseases Ensuring environmental sustainability Employment enhancing vocational skills Social business projects Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Government for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and Such other matters as may be prescribed</p>

**4. Conclusion & Recommendations**

The study shows CSR has gone through the many phase of development from the old era to globalization era. CSR has been started in the term of charity and philanthropy and after globalization era organizations started to think about the betterment of society and CSR became a concept whereby the organizations can do something better for the society without having any profit making purpose on the voluntary basis of organizations But still there was a lot of confusion about CSR because CSR concept was not clearly defined, mostly companies were focusing around mainly in education sector and the health sector with a little stress on, empowering women, sustainable employment and infrastructure development. CSR was on the voluntary basis so some companies were doing CSR, some companies were avoiding CSR activities, and even some are not very much about CSR term. There was not any type of pressure of government on corporations regarding CSR. But now companies' act 2013 made CSR a rule for the Indian corporations. CSR became legislation thus Corporations cannot avoid the CSR activities. They must have to spend at least 2% of their net profit of each financial year. Thus everything about CSR almost defined in a proper manner. Organizations should understand the main reason behind CSR that CSR is a duty of everyone i.e. Business corporations, governments, individuals because of the reasons that income is earned only from the society and therefore it should be given back.

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