

A grayscale photograph of a hand in a suit sleeve holding a small, dark rectangular object. The hand is positioned in the foreground, reaching towards the right. In the background, a window with a grid pattern looks out onto a field of tall grasses under a bright sky. The entire scene is set against a dark, textured background.

Corporate Social Responsibility  
in Community Development

Editor  
S. Rajalakshmi

## CORPORATE SOCIAL RESPONSIBILITY - AN INDIAN PERSPECTIVE

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### Abstract

Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local communities and society at large to improve their quality of life. CSR covers variety of sensitive issues such as human rights, worker's rights, supplier's relations and involvement. In his classic book "The practice of management", Peter Drucker said that "in a good, moral, a lasting society the public good must always rest on private virtue... It is management's public responsibility to make whatever is genuinely in the public good become the enterprise's own self-interest. CSR is now increasingly capturing the interest and imagination of people in the business world. It is a form of self-regulation policy that is integrated with the business process to produce an overall positive impact on society. It a concept where by companies decides voluntarily contribute to a better society and a cleaner environment and also to interaction with their stakeholders on a voluntary basis. A stakeholder means those whom organizations' performance and activities have some impact directly or indirectly. The Union Budget, 2008 makes CSR compulsory for business entities and they should earmark two per cent of their average net profit towards CSR initiatives. George Goyder, in his famous book, "The future of private enterprise", mentioned the following primary objectives of a responsible company - i) the extension, development and improvement of the company's business and the building up of its financial independence. ii) The payment of fair and regular dividends to the shareholders. iii) The payment of fair wages under the best possible conditions to the workers. iv) the reduction in the prices to be charged to consumers. This paper highlights the importance of CSR as a tool for sustainable development and focuses on CSR initiatives of TATA SONS LTD, one of the Indian business conglomerates and the outcomes.

**Keywords:** Corporate Social Responsibility (CSR), Sustainable development, Stake holders, Voluntary Contribution.

*"We generate wealth for the people. What comes from the people must, to the extent possible, therefore go back to the people."*

- Bharat Ratna, J.R.D Tata

### Introduction

Corporate social responsibility (CSR) has been in existence for a long time and is almost as old as civilization. It is based on the Gandhian principle of "trustee ship concept" whereby business houses are looked upon as a trustee's of the resources they draw from society and thus are expected to return them back manifold. CSR is essentially a concept whereby companies integrate social and environmental concern in their business operations and in the interaction with their stakeholders on a voluntary basis. Through voluntary commitment to CSR, companies send a positive signal of their behaviour to their various stakeholder's viz. shareholders, employees, investors, creditors, suppliers, customers, regulatory government, and the society at large. Proponents of CSR argue that companies make more long term profits by operating with a perspective while critics argue that CSR distracts from the economic role of business. Nevertheless the important of CSR cannot be undermined CSR is also called corporate conscience, Corporate citizenship, Social performance or sustainable business. It is a form of self regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms.

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### Objectives of the study

- To understand the concept of CSR
- To find out the scope of CSR
- To bring out the contribution of Tata Group Companies towards CSR

### Methodology

The study is descriptive initiative and is based on literature survey regarding the topic and sources. The secondary data – both quantitative and qualitative data were collected from books, newspapers and web site.

### Scope of CSR

- The scope of CSR is far and wide. It includes,
  - protecting and promoting interests of various stakeholders;
  - Addressing social concerns and promoting public welfare programmes;
  - Engaging in philanthropic activities;
  - Ensuring good corporate governance in the companies;
  - Rendering social service;
  - Sponsoring social and charitable causes, and social welfare activities;
  - Supplementing the 'government' efforts effectively;
  - Ensuring ecological balance;
  - Focusing on human elements and
  - Abiding by rules and regulation as good corporate citizen

In the present era of intense competition, it is imperative for the corporate to generate and maintain goodwill among their stakeholders and the community at large. Therefore, active participation in various social welfare projects is surely going to improve the corporate visibility and place them on a pedestal of high public esteem. The business firms should understand the fact that economic goals and social responsibility objectives need not be contradictory to each other. Rather can co-exist and both can be achieved simultaneously.

### Importance to CSR

- New concerns and expectations from various stakeholders in the context of large-scale industrial change due to globalization
- Increased influence of social criteria on the investment decisions of individuals and institutions, both as consumers and as investors
- Increased concern about the damage to the environment caused by economic activity, and
- Transparency of business activities brought about by the modern information and communication technologies.

### Indian law on CSR

Section 135 of the new Companies Act, 2013 lays down the provisions exclusively dealing with CSR. Schedule VII contains a list of the activities which a company can undertake as part of its CSR in

### Eligibility

Under the new act, companies having a net worth of at least Rs 500 crore or a minimum turnover of Rs 1000 crore or a net profit of Rs 5 crore are required to spend at least two percent of their average net profit on CSR activities every year with effect from the financial year 2014-2015

### CSR Committee

The eligible companies should set up a CSR committee, consisting of at least three members, of whom one director should be an independent director. The functions of the CSR committee include:

- a) Formulation and recommendation to the Board, CSR policy which shall indicate the activities to be undertaken by the company as specified in schedule VII of the Act.
- b) Recommending the amount of expenditure to be incurred on the activities referred to in Clause (a).
- c) Monitoring the CSR policy of the company from time to time.
- d) Preparing a transparent monitoring mechanism for ensuring implementation of CSR projects/programmes/activities proposed to be undertaken by the company.

### Classification of Corporate Social Responsibility

#### Responsibility towards itself

It is the responsibility of each corporate entity to run business and work towards its growth, expansion and stability and thus earn profits through good governance. Only if the organizational efficiency improves the company can achieve its social and economic ends.

#### Responsibility towards Employees

Employees are the most important part of an organization. Following are some of the responsibilities which a business entity has towards its employees-

- Timely payment
- Hygienic environment
- Good and impartial behavior
- Health care through yoga
- Recreational activities
- Encouraging them to take part in managerial decisions

#### Responsibility towards shareholders

It is the responsibility of corporate entity to safeguard the shareholders investment and make efforts to provide a reasonable return on their investment.

#### Responsibility towards state

Out of the profit available, the state is entitled to a certain share as per the income tax law. Utmost transparency has to be exerted regarding the profit & loss account and the balance sheet.

#### Responsibility towards consumers

The Company should maintain high quality standards at reasonable prices. It should avoid all sorts of malpractices such as hoarding and black marketing.

#### Responsibility towards environment

It is the responsibility of the organization to contribute to the protection of environment. The company should produce eco-friendly products. Moreover, industrial waste management must be taken care of. The recently enacted Companies Act, 2013 puts into perspective the means of achieving socially and environmentally responsible targets for business in India.

**Social Responsibility Models**

There are some models which describe the evolution and scope of social orientation of companies. Notable ones include Carroll's model, Halal's model and Ackerman's model

**(a) Carroll's Model**

Archie B. Carroll has defined CSR as the complete range of duties business has towards the society. He has proposed a **3-d conceptual model of corporate performance**. According to Carroll, a firm has the following four categories of obligations of corporate perform

**Economic**

The firm being an economic entity, its primary responsibility is to satisfy economic needs of the society and generation of surplus for rewarding the investors and further expansion and diversification.

**Legal**

The laws of the land and international laws of trade and commerce has to be followed and complied with.

**Ethical**

Ethical responsibilities are norms which the society expects the business to observe like not resorting to hoarding and other malpractices.

**Discretionary**

Discretionary responsibilities refer to the voluntary contribution of the business to the social cause like involvement in community development or other social projects pertaining to health and awareness of the masses. Carroll later presented the different categories of responsibilities as a pyramid of corporate social responsibility. Economic responsibilities are at the base of the pyramid, succeeded by legal responsibility, ethical responsibilities and finally philanthropic responsibilities.

According to Carroll's pyramid, legal responsibilities come only at the second stage. This is not a right view. A company must inevitably obey the laws, even if it is unable to discharge some of the economic objectives, as long as it exists. Figure1.shows the responsibilities of business

**Figure 1 Responsibilities Of Business**



- 1. Economic responsibilities
- 2. Legal responsibilities
- 3. Ethical responsibilities
- 4. Discretionary responsibilities

Source-Francis cherunilam, International business- Text and cases

**(b) Halal's model**

Halal's return on resource model of corporate performance recognizes the fact that the corporate social responsiveness is a quite difficult task as no corporate posture is value free. A firm can only attempt to form a workable coalition among groups having diverse interests, engaged in creating value for distribution among members of coalition. The social issues may become conflicting beyond a certain level of economic activity.

The coordination between economic and ethical decisions is necessary so that the future of the firm and shareholders may be safeguarded

**(c) Ackerman's model**

This model defines CSR in three different phases

- ❖ **First phase** - Top management recognizes social problem
- ❖ **Second phase** - The Company appoints staff specialists to look into the issue and takes measures to tackle it
- ❖ **Third phase** - Implementation of the strategy derived by the specialists

**Corporate social responsibility as a strategy**

Burke Lee and Jeanne M. Logsdon suggest that there are five dimensions of corporate strategy that are critical to the success of CSR process in terms of value creation by the firm. They are:

**Centrality** - CSR initiative activities should be close to the firm's mission and objectives

**Specificity** - Strategic CSR initiatives should specifically benefit the firm. The firm should be able to capture the benefits of CSR initiatives

**Pro-activity** - CSR initiatives should focus on the dynamics of stakeholder expectations and capture the changes in socio-environmental, political and technological factors.

**Voluntarism** - CSR decisions should be discretionary and thus they should be taken up by the firm voluntarily

**Visibility** - Strategic CSR initiative should build firms image and add up to the goodwill by creating positive media attention. It can also mitigate negative image of the firm.

The linkage between strategy and CSR is quite noticeable. As strategy implies choice there are many opportunities to not only generate multiple options but also the choice between different management action, in a manner to attain corporate objectives more executively. The question of trade-off between a body corporate defining a path of action that is governed by the need and desire for profit and social responsibility as well. A managerial decision-making grid can be thought of to help corporate generate multiple options.

CSR becomes strategic when it fetches substantial economic benefits to the firm, in particular supporting the core business strategic and thereby contributing to the accomplishment of its mission in the optimal manner enriching the firm and the society as well

**Corporate Social Responsibility Initiatives By TATA Group Companies**

Tata Sons Ltd., the holding company of Tata Group is a cohesive, well known conglomerate that is united not just by name but by ideology and value system and brand that is among the most valuable in India. It is a Group which is 140 years old, where the binding force is not the charisma and authority of a single personality as it was in Mr. J R D Tata's time but one united by a shared vision, philosophy and identity. The Tata group has 95 companies, covering seven important business sectors. It employs over 5,40,000 people worldwide with operations in more than 100 countries across six continents, and firms exporting products and services to 150 countries. Tata Sons Ltd utilizes 12 to 14% of profits as tax for social welfare. Approximately two third of the equity of the parent firm, Tata Sons Ltd, is held

philanthropic trusts. The Tata Group is committed to benefit the economic development of the countries in which it operates. No Tata company shall undertake any project or activity to the detriment of the wider interests of the communities in which it operates. Tata Group of Companies management practices and business conduct shall benefit the country, localities and communities in which they operate, to the extent possible and affordable, and shall be in accordance with the laws of the land. A Tata company, in the course of its business activities, shall respect the culture, customs and traditions of each country and region in which it operates.

According to Jamsetji Nusserwanji Tata, Founder of Tata Group. "In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence". "Corporate Social Responsibility should be in the DNA of every organization. Our processes should be aligned so as to benefit the society. If society prospers, so shall the organization..." - Manoj Chakravarti, G M - Corporate Affairs & Corporate Head - Social Responsibility, Tata Industries Limited in 2004.

#### **Responsibilities to different sectors:**

##### **Responsibilities to the shareholders**

The responsibility of a company to its shareholders, who are the owners, is indeed a primary one. The fact that the shareholders have taken a great risk in making investment in the business should be appropriately recognized. The shareholders are interested not only in the protection of their investment and the return on it but also in the image of the company. It shall, therefore, be the endeavor of the company to ensure that its public image is such that the shareholders can feel proud of their company.

Tata Company shall be committed to enhancing shareholder value and complying with all regulations and laws that govern shareholder rights. The board of directors of a Tata company shall duly and fairly inform its shareholders about all relevant aspects of the company's business, and disclose such information in accordance with relevant regulations and agreements.

##### **Responsibilities to the employees**

The success of an organization depends to a very large extent on the morale of the employees and their whole-hearted co-operation. Employee morale depends to a large extent on the discharge of the company's responsibilities to them and the employer-employee relationship.

Tata Company shall provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability.

##### **The important landmarks in employee relations,**

- 1915 - Introduction of Labour Welfare measure in Tata group companies
- 1917 - Free Medical Aid to all employees and dependent family members
- 1916 - Social Welfare Scheme launched for employees
- 1920 - Leave with pay
- 1934 - Profit Sharing bonus

##### **Responsibilities to the consumer**

"I do believe that we, in the Tata Group, have held a view and sense of purpose that our companies are not in existence just to run our business and to make profit but that we are responsible and good corporate citizens over and above our normal operations" Ratan N Tata

##### **Responsibilities to the community**

JRD Tata said: "What came from the people has gone back to the people many times over." Tata will volunteer its resources, to the extent that it can reasonably afford, to sustain and improve a

healthy and prosperous environment and to improve the quality of life of the people of the area in which it operates

### CSR initiatives by select companies in TATA Group

#### Health:

Health for all is the motto of the Tata group. Jamshedpur leads in demographic indices on maternal and child health in the country. Community health programmes are actively implemented in villages around Tata group companies. This programme covers maternal and child health, adolescent reproductive and sexual health, curative and preventive health services through mobile medical vans and awareness camps. Tata steel has hosted seven Lifeline Expresses across remote parts of rural India, the world's first hospital on rails, offering on-the-spot diagnostic, medical and advanced surgical treatment for preventive and curative interventions. Rural health workers are trained to act as health doctors to cure minor ailments in their allocated areas. AIDS awareness campaigns were conducted for truck drivers. An integrated Hospital Management System along with IT infrastructure including a comprehensive and fully integrated, web-based solution has been provided by TCS free of cost to the Cancer Institute at Chennai. TCS supports Operation Smile an international NGO which provides free surgery for cleft lips, cleft palates and other facial deformities to economically backward children. The on India Foundation focuses on reducing disabilities affecting a population of 1.5 million marginalized people through curative and preventive measures.

#### Education:

Support for education is an area of special emphasis for all Tata companies; they provide a wide range of scholarships, and programmes in all their main operating locations to encourage quality education, to enable the least privileged people to achieve functional literacy, and to support deserving students financially. Jamshedpur is a centre for excellence in education and has highest literacy rates in the country, three primary schools, six high schools and one college are run by the company 312 primary schools and 171 "balwadi" schools are assisted by Tata Steel. Besides group companies offer evening classes to sc/st students and help in strengthening school infrastructure by improving class rooms, constructing toilets and establishing library in schools around the companies. At Jamshedpur, Tata and Society for Technical Assistance & Remedial Teaching (START) institutions supporting the needs of the special children are one of the unique initiatives; around 100 students are given training to help them manage their lives and get a vocation to earn dignified living. Through the Foundation for Quality Excellence and Access (FAEA), TCS supports SC/ST students studying in professional courses through scholarships. It also supports academic institutions through its Academic Interface Programme. A total of 616 institutes in India and 288 institutes overseas were benefitted through the Company's activities like workshops for faculty and students, faculty development programmes, research scholarships, research alliances, project opportunities to students and student awards.

#### Provision for drinking water and sanitation

Tata Steel Rural Development Society has set a goal of providing every single household in the company's operating areas with the secure supply of safe water, it provides potable water to communities through tankers or piped water distribution systems and hand pumps; also communities with reinstated wells that have so far made over 50,000 people self-sufficient in water. THCM focuses on repairing of tube wells and open wells for safe drinking water in sponsored villages.

### Community development

Tata group companies assisting community development programme as well. THCM provides training in modern agriculture techniques to villagers to enhance their agricultural income. Assists the villagers in reclamation of their barren land to bring it under cultivation. Helping them in creating water harvesting structures to store rain water for their use in house hold activities and other activities like pisciculture, duck farming, vegetable farming etc. It has provided pipes and cable connection for lift irrigation project in the village, which has enabled the villagers to bring 30 acres of land under multiple cropping. Tata motor offer Natural resources-based livelihood solutions for self-reliant and sustainable development of the community to improve agricultural practices. Through Tata Chemicals society for Rural Development (TCSRSD) Tata Chemicals works to improve the quality of life of the people and communities. It also aims at supporting sustainable development, which is the central theme of the company's corporate philosophy. It works to protect and nature the rural populations in and around TCL's facilities, and assists people in attaining self-sufficiency in natural resource management, livelihood support. It also aims at the building of health and education infrastructure i.e. schools and hospitals, maternity centers etc. Tata Salt organized the 'March for purity' walkathon to empower consumers in their right to demand for pure hygienic and standardized products in pursuit of a healthy and balanced life style

### Human development

Tata group companies believes in sustainable livelihoods for people in all communities. To promote skill-based employment for youth. Tata motors collaborate with 112 Industrial Training Institutes (ITI) across 19 states under the Institute Management Committee (IMC) Model. It also trains 'Driver Training Programme' with a target of training 3.4 million youth over a period of ten years. TCS trains SC/ST students and rural youth in basic computer skill, spoken English knowledge as well as soft skill for absorption in BPO segment.

### Environmental protection

As part of the Tata culture of being a responsible corporate citizen, TCS continuously strives to reduce ecological footprint by identifying material areas and focusing on each of them strategically to reduce the impacts on the environment, including the carbon, water, energy and waste footprint, With a strong focus on energy efficiency, green infrastructure and green IT and to strive towards reducing the specific energy and carbon footprint, 77 TCS locations are certified for Environment Management System (EMS) under ISO14001:2004. Besides steps taken to reduce fresh water consumption in owned and leased premises include:

- a. Dual flushing system in toilets
- b. Taps with variable output and sensors
- c. Drip irrigation system
- d. Optimization of water flow rates through faucets
- e. Regular maintenance of water pumps
- f. Sewage treatment plants where feasible; treated sewage water for A/C cooling tower make-up, toilet flushing and gardening
- g. Employee actions on water conservation through engagement and awareness  
Rainwater harvesting systems has been incorporated in all its campuses. Tata motors organize the 'Green Clubs' to mobilize communities for large plantation in villages and forest area. This club also supports in procurement of saplings and is responsible for safety of the plantation. Through youth community clubs (Go Green Group and Green club), it sensitizes villagers about climate change and sustainability.

### Sports

Supporting sport has been a tradition with the Tatas, not for any return but as a policy. It is this kind of sporting altruism that sets the Tata group apart. Tata Groups considers Sports as a way of life. Through Tata Steel Adventure Foundation, Tata Football Academy, Tata Archery Academy, and sports feeder centers it promotes sports among employees and communities. The academies and foundations aside, the group has invested considerable money in creating some of the finest infrastructure for sports and recreation in India. Conspicuous among these is the JRD Tata Sports Complex in Jamshedpur, a 40,000-capacity arena with facilities for athletics, archery, boxing, basketball, volleyball, boxing, tennis and more. Also in Jamshedpur is the Keenan Stadium, a regular venue for international cricket. Tata employees include 20 Olympians and over 100 international sports persons. Bachendri pal, India's first woman to scale Mount Everest in 1984 is the Chief of Tata Steel Adventure Foundation.

### Disaster management

The contribution of Tata group companies during natural calamities is highly commendable. Immediate relief with material and medical assistance along with long term rehabilitation programmes have eased the sufferings of the affected population- Earth quake in Gujarat, Tsunami in East coastal part of southern India, major flood in Uttarakhand hills, etc.

### Overall Impact of CSR Measures by select TATA Group of Companies

CSR initiatives of TATA group companies reflect in the improved quality of life of employees as well as communities at large. Annual reports of the select companies for the years 2011-2012 and 2012-2013, highlight the following.

- Curative and preventive health services were rendered to 295,075 community members
- Scholarships for higher studies were awarded to 891 students
- School infrastructure was developed for 100 schools
- Vocational training was imparted to 1048 youth
- Technical training was provided to 1542 youth
- Green cover was increased by planting 290,850 trees
- Potable water solutions with support from the Sumant Moolgaonkar Development Foundation (SMDF) provided to 100 villages
- Donations (including donation of vehicles) to help 52 NGOs for various social programmes worth ₹ 2,90,60,279.
- Individual beneficiaries of AIP programme of TCS 1,93,625 and ALP 11,125
- Academic institution partnered with AIP- 616 in India and 288 overseas
- Free reproductive health services were provided over 200000 women

Establishment of Indian Institute Of Science at Bangalore, Tata Memorial Hospital at Kolkata, and Tata Institute Of Fundamental Research at Bombay by Tatas stand as testimony of their philanthropy.

### Conclusion

The practice of CSR is not without criticism; critics argue that corporations are fundamentally profit-seeking entities for generating products and services to gain profit to satisfy shareholders. There is no question of social responsibilities as a business function. In spite of the criticisms, CSR practices of corporations are increasingly influenced by the following factors: environmental and ethical concerns in the buying decisions of consumers, global markets, social awareness, role of government in enforcing and regulating responsible behavior by the corporate.

In TATA Group of Companies, CSR is considered as a key business process, "like a coconut tree receiving water from the earth through its roots, facing coconut water in return to others (not to earth) without expecting anything from the people" –Avvayar. CSR and expectations will result in growth of the society and protection of marginalized community.

**Key initiatives Outreach 2012-13**

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