

Corporate Social Responsibility - Global and Indian Perspective

written by Kulin Dave | March 18, 2019

Backdrop and Evolutionary Overview

Corporatization of global economy gained momentum

after the emergence of Industrial Revolution¹ in 18th Century. The concept of joint stock form of enterprises received tremendous popularity all over the world along with taking off of Industrial Revolution. Almost every country all over the globe regulates and monitors the functions of corporate form of organizations by dint of an Act of

Parliament which is known as the Companies Act or Corporate Act. The East India

Company was one of such regulated companies floated by the Royal Charter in 1600 which was in essence a multinational company. The East India Company had monopoly to trade in India and its members could carry on trade individually and had the option to subscribe to the joint fund or stock of the company. After each voyage, profits made together with subscribed amount were divided among the members. In 1653, however, a permanent subscribed fund was introduced

which was called joint fund or joint stock of the company and in this way, the

phrase- " Joint Stock Company'' came into use. In simplicity, members used to contribute to the joint fund and became the shareholders of the companies concerned. By the end of the 17th Century, all the companies established permanent capitals represented by shares which were salable and transferable and since then the method of obtaining the certificate of incorporation of a company was effected by the Royal Charter or by Act of Parliament. In India, Companies Act 1956/2013 regulates and controls the corporate form of business organizations.

A business entity is an organ of the society. Business

is an economic agent of the society and it remains accountable to the society and hence the context of Corporate Social Responsibility(CSR) became relevant. It is also

receiving attention and is growing significantly for playing a pivotal role in

corporates India. Indian corporates are feeling imperatively to work for the cause of social upliftment. Wipro being an MNC, for instance, has already launched a project for offering basic education to the rural population who are

not in a position to have the light of modern education.

Definition of CSR

The conceptual and operational dimension of CSR

emerged in the 20th Century but it becomes a discipline of serious study during

last 65 years (Carroll)[1].

H. R. Bowen (1953) is known as the father of CSR for his famous work on Social

Responsibility. Bowen is the first learned personality who gave a look of academic seriousness to CSR in his book, ' Social Responsibilities of Businessman'. According to Bowen, Businesses are obliged to the society for the

values and goals of the society for which business exists in the commercial world. Bowen is of the view that CSR is correlated with economic aspects of social welfare and social well being. In this connection views expressed by Davis[2] is that social responsibility goes beyond the economic gains in terms of profit of a company.

Emergence of Multinational Corporations in India

It is imperative to start with the view of Franklin Root[3] to define multinational corporation and multinational corporation (MNC) is nothing but a parent company that remains engaged in production and distribution of goods and services through its affiliates spread or located in several countries geographical jurisdictions. This company exercises direct control over the administrative policies of the affiliates and finally play a prominent role in strategic aspects of production, finance, marketing and human resource management affairs. the company has a centralized administration system which administratively overview the affairs of all the business housed spread all other countries. Finally, the company own stocks of different companies in different countries. MNC is a company which operates commercially in more than one country by abiding by the local rules and regulations. In India, there is presence of many MNCs and they include FAG Bearings India Ltd, Sud-Chemie India Pvt. Limited, Asea Brown Boveri Limited (ABB), Transpek-Silox Industry Limited, Schneider Electronics, HSBC Bank, Standard Chartered Bank, City bank etc. All these companies are engaged in CSR activities in different manner. These companies offer CSR activities in the areas in which their main business concentrate. For instance, ABB is playing a prominent role and emerged as one of the leaders in power and automation technology delivery system. More than 10,000 employees are there is payroll of ABB in India in more than 15 manufacturing units or facilities. ABB has played an important and prominent role in upgrading school buildings in villages remaining in and around the activities of the company circle. In the same way CSR activities are taken care of by other MNCs in India. Similarly, we may name General Motors(GM), Vodafone, Blue Dart Express Ltd., Thomas Cook who have been playing a crucial role in environment protection, imparting basic education, providing drinking water and sanitation system and so on. The companies are trying to provide environment friendly products, financial grants like General Motors which alone donated more than \$350 million to various NGOs for bringing about development in education sector. Vodafone provided rural sector women enabling information technology. In a nutshell, MNCs operating in India are engaged in providing education, health and sanitation, building of schools mainly in villages where modern education has not yet reached and vocational and skill development training for the youth and children including women.

CSR Practices in The USA

Corporate social responsibility plays an important role in a firm's life in the U. S. today as referred to Forte[4].CSR concentrates on three models and these three models include the shareholder value, the stakeholders and ethics. USA believes in two parameters of CSR and they are employment and environment. stakeholders in the US include investors relations,

environment and society and they believe in Visser's[5] five principles which are creativity, scalability, responsiveness, glocality[6] and circularity and this may be the basis of new theory of CSR.

CSR Practices in the UK

Although certain part of the UK corporate governance code is specifically concerned with corporate social responsibility, there is some recognition that a company's duties extend beyond its shareholders and it

states that "the board should set the company's values and standards and ensure

that its obligations to its shareholders and others are understood and met" Supporting Principles, A. 1. "

The Companies Act 2006 has now added to those pressures by requiring directors to have regard to community and environmental issues when considering

their duty to promote the success of their company and by the disclosures to be

included in the Business Review.

CSR Practices in Canada

Canada practices CSR in positive manner and they have been seen in the case of the USA and UK. Corporations in Canada act as the agent of social change. In 2011 Jantzi-Sustainalytics in conjunction with Maclean's magazine published that in NGOs, Canada is number 1 in all G7 Countries

in terms of its CSR practice Canadian businessmen thinks that CSR is part and parcel of their day to day business life. In Canada, customers support the business maximum. It recycles

paper product maximum and it gives a good contribution to CSR practice[7].

Canada is expected to do many more CSR activities in terms of availability of its resources.

CSR Practices in China

The concept and philosophy of CSR is well accepted and supported by the Chinese government. The important time came on January 1, 2006 when Chinese Corporate Law was revised to include formally the concept and philosophy of CSR in the legislation. In the same year, the State Grid Corporation of China issued the first ever CSR report by a Chinese State Owned Enterprises(SOEs). Chinese government supported CSR activities of the state owned organizations with an objective to integrate the same with the global market and secondly, it offers its own CSR definition and guidelines that aimed at developing a CSR oriented business culture. The concept of CSR practice was included in Chinese Labour Law in 2008. Moreover, in the same year, the state-owned Assets Supervision and Administration Commission of the State Council(SASAC) issued an important policy directive on Guidelines to the State-owned Enterprises directly managed under the Central Government on Fulfilling Corporate Social Responsibilities in 2008. More than 1,600 sustainability reports were generated and distributed in the country as an outcome of SASAC directive policy. China took CSR practice as a part and parcel of competitive advantage[8].

CSR Under the Companies Act, 2013

Section 135 of the Companies Act, 2013 provides for CSR

by the companies with certain capping. According to this section, every company having net worth of Rs. 500 crores or more or turnover of Rs. 1,000 crores or more or net profit of Rs. 5 crores or more during any financial year shall constitute a CSR Committee from the Board consisting of three or more directors including at least one independent director, in order to recommend for discharging CSR activities for which the company would spend at least 2% of its average net profits of the previous three years on specified CSR activities and with the enactment of this legislation, India became the first country in the world to honor CSR spending as prescribed by law of the country.

Consequence of Non- Compliance of Mandatory CSR Provisions

Section 450 of the Companies Act, 2013 prescribed for punishing a company or its officers in case where there is no specific punishment

provided for an offence in the Act and it provides , " *If a company or any officer of a company or any other person contravenes any of the provisions of this Act or rules made there under, for which no penalty or punishment is provided elsewhere in the Act, the Company and every officer of the Company who is in default shall be punishable with fine which may extend to Rs. 10,000 and where the contravention is continuing one with a further fine which may extend to Rs. 1,000 for every day after the first during which the contravention continues.*" Therefore, non-compliance with CSR spending may attract fine and punishment of the defaulters

as specified in the Companies Act, 2013. The fundamental purpose of mandatory CSR

practice is to bring about improvement in the quality of life of the local community and the society at large. So CSR is more moral than legal responsibility of the corporations.

Contributed by – Kulin Dave

[1]A.

B. Carroll(1999) 's seminal work on CSR may be referred to , 'Corporate Social Responsibility: Evolution of a Definitional Construct', Business and Society, 38(3), pp. 268-295.

[2]K.

Davis (1960) contributed his argument, ' Can business afford to ignore social responsibilities'?, California Management Review, 2(3), pp. 45-50

[3]Entry

Strategies for International Market, the book, is authored by Franklin Root in 1994 and it contains details about day to day strategic aspects of management and functioning of multinational corporation. The book was published by

WorldCAT. Org

[4]

Almerinda Forte 's article, ''Corporate Social Responsibility in the United States and Europe: How Important is it? The Future of Corporate Social Responsibility' International Business & Economics Research Journal, 12(7) pp. 815-823(2013) is a seminal work on CSR activities of the USA.

[5]Wayne

Visser(2011)'work The Ages and Stages of CSR- Towards the Future with CSR 2.0 Wayne Visser, CSR International Paper Series, No. 3, 2011 contains detailed discussion on five principles of CSR

[6] The

term 'glocalization' comes from the Japanese word dochakuka, which simply means global localization.

Originally referring to a way of adapting farming techniques to local conditions, dochakuka evolved into a marketing strategy when Japanese businessmen adopted it in the 1980s

[7] the

work is acknowledged as a publication, ' Corporate Social Responsibility-Is Canada leading or lagging written by Banu Raghuraman

[8]

The source of information is " Is Corporate Social Responsibility China's Secret Weapon?(2012), World Economic Forum retrieved from <http://www.weforum.org> on 12/1/2017

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