

**ROLE AND EFFECT OF CORPORATE SOCIAL RESPONSIBILITY IN COMMUNITY
DEVELOPMENT**

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Abstract

Present paper in an effort to know the brief history of CSR, examine the components of community development and analyse the role and effect of corporates in community development through secondary data. Companies Act of India mandates the corporate contribution for community development and undoubtedly, this effort resulted positively towards community development, at the same time few studies states that, community development activities by corporates are not up to the mark. Paper concludes with the suggestion that, the active participation of public, design of need based programmes and strict social and financial audit may guarantee the community development through CSR activities. Researcher proclaims his ideas on the basis of secondary data and adopted the descriptive research design for the study purpose.

Keywords

Corporates, Social Responsibility, Community Development, Companies Act.

Introduction

Community development is the most debatable concept in India. Public policies, programmes and activities on community development are widely implemented across the nation. Concept like smart city and smart village are the latest incorporation in community development, beyond that, programmes on health, education, literacy, income generation, empower and infrastructure development are the essential proposals of development. Public and private partnership efforts also boost these areas in the effort of guarantee the development for all; alongside we have history of philanthropy of contribution for development of poor, marginalised and weaker sections of the society. Prior to mandate corporate contribution for development, many

corporates had legacy of empathies the public issues of development and contribute towards positive change. Post to Companies Act 2013, activities of community development by companies following the democratic, mandate and integrated development of all through the CSR activities. Present efforts by corporates should appreciate in addressing community issues and need to adopt dynamic and rapid styles of community development for the better result.

Methodology

This section consisting the objectives of the study, research design, methods of data collection and conceptual clarity. Objectives are the clear guidelines which helps the both researcher and reader to know about the direction of the work. Research design provides vision to work, methods of data collection discusses about the sources and methods of data collection and finally, conceptual framework helps to understand the Corporate Social Responsibility and Community Development from academic background. Here researcher used the secondary source of data to propose new ideas, models and suggestion towards community development.

Objectives

1. To understand the brief history of CSR
2. To Examine the components of community development
3. To Analyse the role and effect of corporates in community development

Research Design

Descriptive research design, taken in to the consideration to examine relevant literature. It also helps the study to describe the characteristics of the community development and its components. Hence it helps to examine the phenomenon of community development and corporate responsibility; also it focuses more on reasons and solutions of various issues of the communities.

Methods of Data Collection

Present paper is based on the secondary sources of existing literature. Data was collected from, research articles, documentary, theories of development, theses on community development, govt reports, corporates audit reports, web platforms like; Research gate, LinkedIn, SSRN, Jstor

and other relevant search engines. Reviews of last twenty years (from 2000 to 2019) had used to analyze the various views on Corporate Social Responsibility and Community Development.

Conceptual Framework: Corporate Social Responsibility

According to world business council for sustainable development (WBSCD) corporate social responsibility is the continuing commitment by the 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.(WBCSD Stakeholders Dialogue on CSR, The Netherlands, Sept 6-8, 1998)¹

Community Development

According to the United Nations Definition in 1948: “Community Development is a process designed to create conditions of economic and social progress for the whole community with its active participation and fullest possible reliance upon the community’s initiative².”

History of CSR

The Corporate Social Responsibility (CSR) concept had begun in late 1920s; but because of the Great Depression and Second World War, it becomes unsuccessful subject matter among big business leaders till the 1950s. CSR had found itself highlighted in the year 1951, after article published in Harvard Business Review by Frank Abrams, chairman, board for Standard Oil of New Jersey. After many succeeding decades, definitions of corporate social responsibility, its practices, and its adoption extended enormously. Several Philosophies such as management as a trustee, Christian ethics and the equilibrium of power among business and society were popularized (Frederick, 2006)³.

A study made by the Committee for Economic Development (1970) contributed a concept of CSR; to get recognizing and make balance between social and economic was an essential factor⁴. One of the models of CSR ‘enlightened self-interest’ become more extensively followed by several businesses. Only a theoretical model had not been accepted by the businesses until Carroll (1979) developed a model (CSP) ‘corporate social performance⁵’, whereby CSP is advanced to CSR, but it was not widely accepted model because of inability to

measure test. Developments were continued by many academics and businesses that started to spotlight on CSR initiatives towards their business plan.

The idea of CSR in India is governed and managed by Companies Act, 2013, clause 135, which was passed by both Houses of the Parliament. They received the consent on 29 August 2013 by the President of India. The provisions of CSR in this Act is applicable to such companies which are with an annual turnover of 1,000 crore rupees and more, or a net worth of 500 crore rupees and more, or a net profit of five crore rupees and more. These rules had been applicable from the fiscal year 2014-15, and also the companies should required to set-up a CSR committee, which consisting of board members, that consisting at least one independent director. Further the Act encourages CSR activities that the companies should spend at least 2 percent of their average net profit of three previous years, pwc (2013).

Components of Community Development

Public Policies for Integrated development always concentrates on Social and economic development of rural urban and tribal communities. In India both the state and central Govt's are keeping engaged in developing and implementation of programmes of community development. After implementation of companies Act in India the concept of community development reframed by adding latest concepts of development. Intervention of corporate sector has been boosted the community development activities. The companies Act guidelines for programme development for the community development proposed the new components. Presently, under the CSR activities components like Health, Education, Literacy, Empowerment, hard infrastructure development, environment concerns, Rural, Urban and Tribal development, and Social business projects are the major concentration for community development by corporates in India.

Role of Corporate Social Responsibility inCommunity Development

According to the World Business Council for Sustainable Development (2000), CSR is “the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local community.” In India, there has been a plodding realization by firms that mounting their scope and domain of social responsibility is the pertinent need of the hour. The Indian government is also mulling over a new Companies Bill in the Indian

Parliament; clause 135(5) of the same bill prescribes that every company with a net worth of at least Rs 5,000 million (\$1 is approximately Rs 55), or turnover of at least Rs 10,000 million, or a net profit of at least Rs 50 million, will have to spend 2 percent of its three years' average profit on CSR activities (*The Indian Express*, 2012). in spite of striking economic growth during recent decades, India continues to face a number of socio-economic challenges.

A third of the country's population lives in poverty and penury, CSR provides Indian corporations with a willingly available and highly impactful opportunity to prove and establish the authenticity of their actions by stirring beyond charities and rural developmental activities. The firms can be innovative in producing and marketing affordable products and services for the massive population at the "bottom of pyramid." This will embrace the notion of both compassionate capitalism and inclusive business as proposed

Legacy of CSR by Indian businesses

Secchi (2007) and Lee (2008) reported that the meaning of CSR has been altering in meaning and practice⁶. The conventional view of CSR was barely limited to philanthropy and then shifted to the prominence on business-society relations particularly referring to the contribution that a corporation or firm provided for solving social problems. In the early twentieth century, social performance was tied up with market performance.

Singh and Agarwal (2014) states Businesses in India have been aware of their social responsibilities since ancient times, because for many decades community-led businesses dominated by certain communities such as the Jains or Marwaris were known for their donations and charitable contributions toward various schools, colleges, drinking water facilities for travelers, guest houses (*dharamshalas*), etc⁷. along key trade routes and such centers are a legacy of their contributions. In modern times, the larger Indian corporations have adopted structured approaches to CSR activities. Many of the practices adopted by corporations in India have simply been rip-offs of Western notions of charity or CSR. Based on the frameworks provided by Kolk (2000) and Chahoudet *al.*(2007)⁸, the journey of Indian CSR can be divided into four phases. The first phase was predominantly determined by culture, religion, and family traditions of the owners of the businesses. The CSR of businesses in this phase was limited to building temples and providing relief in times of crisis such as famine or epidemics. The corporations during this phase were responsible only to their owners and managers. The second phase (1910–

60) was largely influenced by Mahatma Gandhi's theory of trusteeship, which referred to establishing inequitable economic order through a proper scheme of distribution of the accumulated wealth to all members of the society. (Sapru, 2008).the third phase (1960–80) was dominated by the paradigm of the “mixed economy.” The organizations also became responsible to the environment besides their owners, managers, and employees. After the globalization of the Indian economy in 1990, Chahoudet *al.* (2007) termed this fourth phase (1980/90 until the present) of Indian CSR as being a “confused state.

Under the umbrella of CSR actions are principally leaning toward the welfare of different stakeholders.. India being a developing nation, a substantial proportion of the population lives in utter poverty and the government finds it extremely difficult to meet even the basic developmental requirements of society, such as primary healthcare, minimal education facilities for children, drinking water, and sanitation facilities in rural areas, etc. Corporations through their CSR activities aim to bridge this gap by being agents in promoting the comprehensive growth of society As the CSR activities of the selected companies are coded as “Education, ”Health,” “Community welfare,” “Entrepreneurship development,” “Environment,” “Market place,” and “Rural development”. Many companies in India connect with local communities in the locality of their areas of operations, and the beneficiaries of CSR activities are generally the local population.

Corporate Social Responsibility and Its Effect on Community Development

In a community there is a sense of community which is defined as the feelings of cooperation, of commitment to the group welfare, of willingness to communicate openly, and of liability to and for others as well as to one's self. Most significant there exists community leaders who are answerable for the success of any community event, depending on the needs of the community, and the individual's own feelings. The community leaders are individuals who endeavor to sway others to take responsibility for their actions, their achievements, and the community welfare.

More corporations are becoming aware of the importance of CSR and actively engage in CSR practices such as corporate philanthropy and ethical advertising practices (Wang, 2007).

Before addressing the effect of CSR on community development, it would be vital to define the term community development given by the United Nations defines as “an effort of individuals in a community conducted in such a way to help solve community problems with a minimum help from external organisations.” External organisations include government and non-government organisations, and corporations of various types (small and medium enterprises (SMEs) and multinational corporations (MNCs). Hence, the effect of CSR on community development in the context of this study encapsulates any direct and indirect payback received by the community as results of social commitment of corporations to the on the whole community and social system.

Similarly **ISMAIL** (2009)⁹ states Community development (CD) refers to initiatives undertaken by community with partnership with external organizations or corporation to empower individuals and groups of people by providing these groups with the skills they need to effect change in their own communities. These skills are often concentrated around making use of local resources and building political power through the formation of large social groups working for a common agenda. Thus CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability. The following are the common effects of CSR on community development:

1. CSR helps in sharing the negative consequences as a result of industrialization. Corporations by indulging in CSR activities tend to adopt ethical business processes on CSR as the generation of economic wealth, environmental improvement, and social responsibility.
2. CSR becomes a social capital that is essential in community development.
3. The embracing of CSR activities in multinational corporations brings about the relocate of technology. Therefore, through transfer of technology coupled with CSR process, the targeted community would gain in the a range of aspects of product progress and marketing, such as better price and quality, as well as concern for people’s well-being (Ismail.,2009)
4. CSR helps protect the environment. It cannot be denied that some of the world’s largest corporations have made a highly visible commitment to CSR, for example, with the initiatives

intended at dropping their environmental footprint (Ismail. 2009), these corporations take the view that financial and environmental performance can work mutually to impel corporation growth and social reputation].

5. CSR promotes interdependency between a corporation and community. In other words, the closer link between a corporation and community is another aspect of CSR role in community development because in a long-run it creates sustainable development. In order to achieve this good corporate citizenship symbol, companies must adhere to the core principles of sustainable development in the process of conducting their businesses
6. A CSR program can be seen as an aid to alleviate poverty. According to Carroll [12], it is important for managers and employees to participate in voluntary and charitable activities within their local communities, especially in projects that enhance a community's quality of life and improves their socio-economic status.
7. Helping to get talents by making their commitment part of their value proposition for potential candidates. When employees view their organization's commitment to socially responsible behavior they also tend to have more positive attitudes with better performance. In connecting to Community Development, good employees' perceptions on a corporation would lead to the community that treats the corporation as an important economic asset in the community.
- 8) CSR brings about corporate sustainability goals. Many companies has developed a corporate sustainability framework, which identifies a progressive set of economic, social and environmental objectives that companies are encouraged to achieve.

Conclusion

Concept of development has changes by nation, communities and by the time too. Programme need for the public with the respect to integrated development differs, from community to community, hence corporates needs to concentrate on to design the community development programmes on the need basis. Guidelines by govt may help the corporates come out from the ambiguity of the defined need of particular situation, but still more space to be given to public to

priorities their needs. Quality assurance of CSR activities is concerned social audit is not the powerful tool to define quality, hence changes are expected in examine and analyse the quality of activities under CSR. The active participation of public, design of need based programmes and strict social and financial audit may guaranties the community development through CSR activities.

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