

CSR in the Era of Globalization - Impact on Developing Countries (INDIA)

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Introduction

Social Responsibility (CSR) is often referred to as Business Responsibility and an organization's response on environmental, social and economic issues. Positive actions that reduce the negative impact of an organization on these issues can be seen as a way of managing risk. Corporate reputation, Governance and Ethics are headline issues associated with CSR that have made the NEWS headlines in the last few years.

Business Ethics, being a vital part of Modern Concept of CSR, has been low profile in Business Publication and Business School Curriculum, has suddenly gained status. The word, "ETHICS" was once considered irrelevant by corporate loyalists but now discussion of it is increasingly seen as not only important but also as critical to a company's success. Till the 1990's Indian corporate regarded Business Ethics as a mere extension of Philanthropy. Although corporate giants like TATA(s) and BIRLA(s) contributed generously to Philanthropic causes, it was only after the concept GML of Resources (Globalization, Mobilization and Liberalization of Resources) was introduced by Dr. Manmohan Singh (The Then Finance Minister of India) that the Philanthropic Concepts broadened. Business Analysts in developing countries have come to a conclusion that Ethical subjectivism, relativism, consequentialism and virtue is important to develop a positive attitude towards resolution of conflicts and development of industries. In Developing countries like INDIA, CSR stands to be of vital importance for a mutual and symbiotic growth. The growth defined is not only of the individual but for the society as a whole and country at large.



The catch word of the world economy is Globalization. Countries like India, which have huge population, high unemployment and generally people are poor is unable to fulfill the expected demand of the diverse fraternity within and outside the parameters of the country. Structural reform and economic liberalization were intended to promote integration of the Indian economy with the global economy. Globalization has brought a challenge as well as an opportunity before

the Indian Companies. Indian Companies are now facing competition from multinational corporations. This is a challenge. But there is an opportunity. Globalization does not simply mean allowing foreign capital and foreign technology in India. It also means creating Indian companies on a global scale, in terms of both investment and trade.

In the context of globalized finance, Indian companies are no longer limited by the modest size of the domestic capital market and can tap the huge global market through EURO – issues and sales to Foreign institutional investors in India. Globalization has also offered significant possibilities for India's greater participation in world trade. India does not have a fair share of the world's reserves in some natural resources. We have cheap labour. Now we have access to international capital market. This may give the country a competitive advantage in international trade. Thus it is seen that industries have easy accessibility to the Capital market. This has placed a whole new set of capabilities in the hands of consumers and businesses. Today consumers have:

1. A substantial increase in buying power,
2. A greater variety of available goods and services,
3. A greater amount of information about practically anything,
4. A greater ease in interacting and placing and receiving orders,
5. An ability to compare notes on Products and Services

These benefits have come in the way of consumers because with continuous change and development the society is becoming literate. This literacy of the society has led to the development of a concept called "Corporate Social Responsibility (CSR)".

PROBLEM:

Since July 1991 India has chartered a course which is supposed to take the country from a controlled economy to a market economy. Economic democracy advocates reliance on the free market to stimulate growth. But it is also explicit that market mechanism is inadequate to offer distributive justice. Recognizing this the East Asian Economies built a frame work of Institutions to increase the opportunities for the less privileged to share in the benefits of growth via support for small and medium enterprises, housing and health services. The accent was not on direct income transfers or on subsidizing specific commodities but on increasing opportunities. With the continuous development of market economy and customer literacy, industries had to satisfy the customer's w.r.t. goods and services. This led to the upcoming of, Quality Management, Standardization, Customer Relationship Management, Technology/Internet Revolution, Brand Building, After Sales Service's, Value Addition, Customer Retention, etc... This led to huge competition in the industrial scenario.

On analyzing the last few years, it could be easily concluded that the customers and the society at large have developed a different expectation. This different expectation is the social responsibility of the corporate world. The question that arises is whether "CSR is an Old Wine in New Bottle or A Concept that needs to be trickled down the Line."

It is said that every industry have a Profit motive. The earlier concept of Profit maximization, being obsolete, the sales maximization concept came into existence. Development of new marketing Techniques have led to increased competition and development of individuals rather than the society at large.

IDEAS AND DETAILS

In developing countries like India, it is being clearly seen that the ground realities like unemployment, availability of basic amenities, corruption, poverty, education, etc... are not being looked into "Practically". The viability of the Government schemes and Projects are under the scanner. The question that arises at this juncture – Is it the Responsibility only of the Government?

From the view point of renowned academicians, both the Public and the Private Sector has to play a major Role. To create an increasing database of customer the concept of an all round CSR need to be put in place. CSR may have become a hot topic in some management circles for the past few years, but for a significant proportion of ordinary employees it is completely irrelevant. This is because CSR has not been made to understand down the line.

What is CSR?

CSR can be well understood under the "3 waves of CSR".

- a. Community engagement
- b. Socially responsible production process
- c. Socially responsible employee relations

It could be clearly analyzed under the "3 waves of CSR" that the corporate world need to shell out a part of their profit initially to tap the long run economies of scale (LREoS), be it internal or external. Beyond good intentions some of the benefits that the corporate world reaps are:

Powerfully aligning the firms operations and social environmental "Foot print" with managements values, Understanding and transforming public perception of the company and industry, Attracting investment in the firm, sector and overall economy, Increased market share and new market penetration, Mobilizing and energizing the company's own human capital, Reducing risk. In developing countries like INDIA, business can succeed only if industries maintain good relationships with all their stakeholders. These relationships can be strengthened, if organizations fulfill their obligations towards the stakeholder.

As far as the community is concerned, it gives the business the right to build or rent facilities, benefit from the tax revenues raised in the form of local services, infrastructure, etc. In return for their services, the firm should act in a responsible way. The firm cannot expose the community to unreasonable hazards in form of pollution and toxic waste. A firm's responsibility towards the society includes:

Respecting human rights and democratic institutions, Supporting public policies and practices that promote human development through harmonious relations between business and other segments of society.

Collaborating with such activities that aim at improving the standards of health, education, work place safety and economic well being, Promoting and stimulating sustainable development and playing a leading role in preserving and enhancing the physical environment and conserving the earth's resources, Supporting peace, security, diversity and social integration: respecting the integrity of local cultures, Encouraging charitable donations, educational and cultural contributions and employee participation in community and civic affairs Example: DABUR INDIA LTD – Sundesh.

Hence business and society are bound by contracts in which they operate. While business is expected to create wealth and provide opportunity for employment, society is expected to provide an environment conducive for business. As business depends on the community in which it operates, society also expects business to make its contribution to the community. This can include providing the necessary goods and services, employment opportunities for the members of the community. The best example can be cited is of TATA Groups in Jamshedpur and Small Scale Industries under AIADA in Jamshedpur. They have a symbiotic relationship with the help of which a huge amount of skilled semi-skilled and unskilled labourers are employed. The development of the remote villages in the outskirts of the city has taken place. Rural industrial employment have grown because of which individual business have come into existence. The average family income has increased.

To successfully implement the social responsibility the firms should first audit its resources and capacity so that it can add real value to its activities. They are:

Set practical, clear and achievable objectives, Identifying the primary aim of the programs that the organizations want to be involved in, Having some well defined criteria for choosing beneficiary organizations like health care, education, etc. Clearly identify what not to support, Having fixed budgets for specific programs, Appoint specialists and other required staff for organizing and delivering the support, Install systems for report evaluation, feedback and change, Processed information obtained from these activities have to be updated on a regular basis, Besides taking up specific projects for their social responsibilities, the corporate sector is also expected to create wealth and jobs. Different stakeholders of a company have different expectations of the company.

STAKEHOLDERS AND THEIR EXPECTATIONS

Shareholders	Expectations	
	<i>Primary</i>	<i>Secondary</i>
• Owners	• Financial returns	• Added value
• Employers	• Pay	• Work satisfaction
• Customers	• Supply of goods and services	• Quality
• Creditors	• Credit worthiness	• Security
• Suppliers	• Payment	• Long term relationships
• Community	• Safety and Security	• Contributions to the community
• Government	• Compliance	• Improved competitiveness

An analysis conducted by the Work Foundation and the Virtuous Circle argues that there is a sufficient weight of empirical evidence to indicate that building CSR activities into the heart of business strategy leads to higher productivity and profitability. While a few business leaders has been sufficiently convinced about the business benefits of CSR that they have embedded those activities through out their organizations, the major still pay lip service to CSR. CSR is no longer bluffing up one's corporate reputation. It's about doing good business. Employee's made a greater contribution towards their organization if they saw it as being a more responsible employer and

this in turn influenced their decision to remain with the employer. Conversely, a strong correlation exists between increased sales volume and the perceived quality of line management, corporate culture, employee commitment and customer retention. The company's who placed CSR Policy and practice at the very heart of their business strategy gain most in terms of performance outcomes.

CONCLUSION AND FURTHER WORK

An organizations reputation is built on its relationship with staff, customers, suppliers, investors and the community they operate within. These stakeholders are the very same that CSR activities seek to involve. This is why CSR can help maintain and enhance repetitions. However, lack of leadership from the top is still a barrier to placing CSR at heart of business; a state of affairs can be addressed with a leadership agenda to help business leaders relate to the stakeholders. This includes:

1. Baseline analysis,
2. Strategic positioning,
3. Engagement,
4. Action,

According to TONY HOSKINS, the Virtuous Circle says, "Our analysis shows that CSR is no longer merely fashionable but an essential component in delivering improved performance, requiring committed leaders to put it at the heart of business". Hence, the policy makers need to further action, most notably strengthening the existing provisions so that CSR becomes a boon for developing Nations.

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