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Evolution of CSR in the changing scenario: A review

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Abstract

The present paper is an attempt to collect and review important and selected literatures, both conceptual and analytical in nature that outline the significance of strategy and its best practices on Corporate Social Responsibility (CSR) to achieve inclusive growth, which aids to the overall efficiency of different corporate houses that are operating in the most competitive global business environment. Many researchers have conducted studies on how CSR contributed to the India's sustainable growth. The review part pertaining to inclusive growth discuss about the institutional mechanism and practices in managing the CSR related activities in different sectors of society. In the current paper a significant number of research works conducted mostly in India, and a few more from global were discussed of numerous past literatures and investigations of their coherent linkage with the theme of how evolution of CSR playing a pivotal role in achieving economic and sustainable growth.

Keywords: Corporate social responsibility (CSR), inclusive growth, business strategy, global environment

Introduction

The concept of Corporate Social Responsibility (CSR) and thus its contribution towards inclusive growth of the society, perhaps gathered its momentum during the era of 90's. The companies started to plan for CSR and set aside a part of their profit to contribute for the development of society and the strategy being to establish the brand name and goodwill of the organisation, which further adds to the overall value of the organisation. As a matter of fact contribution for CSR was not obligatory and companies were free to decide the amount for CSR as per their own operational strategies. Over the decades countries throughout the world introduced several reforms in their corporate structure and in many cases expenditure for CSR no more remained as a matter of choice but obligatory and India being no exception to it. In the present paper the authors conducted survey of significant literature to find out the CSR of corporates and its role in achieving inclusive growth around the world in general and in India in particular.

"A company should have in its DNA, a sense to work for the welfare of the community. CSR is an extension of individual sense of social responsibility. Active participation in CSR projects is important for a company" - Ratan Tata

Aguilar (1967) had undertaken an in-depth study on environmental scanning, which is a process of gathering information about a company's external factors and relationships, to assist top level management in the decision making and develop its future course of action.

Bowman and Haire (1975) ^[5] conducted a study on "A Strategic Posture toward Corporate Social Responsibility" extended a conceptual understanding regarding company's social involvement related in annual report statement as an index to measure social involvement. Their findings support that company social involvement does not threaten the investor's profit percentage and is not dysfunction for a company to be socially involved.

Vance (1975) in his research analysed the relationship between corporate social involvement, index of company reputations and percentage change in the price per company share concluded that in the short run CSR was inversely linked with profitability of the organisation and negative relation between change in the share prices of company and corporate social involvement was perceived.

Ingram (1978) conducted a market study to examine the association of social expenditure disclosure based on finance accounting data and concluded, there is significant positive

relation exist between CSR disclosures and cumulative excess returns. Another empirical study on social disclosures by Kansal *et al.*, (2014) analysed there is relationship between financial and non-financial company attributes and social responsibility disclosures by Indian companies.

Mintzberg, H. (1987) ^[1] in his research paper work entitled “The strategy concept: five Ps for strategy” made an important contribution in the field of strategic management because it was argued that the term strategy should not be regarded as only linear and sequential planning process. The researcher in this paper suggested that strategy can also be interpreted as a plan, ploy, position, perspective and pattern. Identified by Oliver (1991) in his article “Strategic Responses to Institutional Processes” attempted to ascertain the classification of strategic responses that vary in active organisational resistance from passive conformity to proactive manipulation, by using the five predictive factors cause, constituents, content, control and context to manage the institutional challenges.

World Business Council for Sustainable Development

(1999) A widely cited definition by the WBCSD the state of the development that “Corporate Social Responsibility (CSR) is the continuing commitment by business firms to behave ethically and contribute to economic development while improving the quality of life of workers and their families and the local community and society at large.”

Lin, J.Y (2004) in his research article entitles the “Development strategies for Inclusive Growth in developing Asia” described this concept of inclusive growth in an Asian context. He mostly emphasize the economic miracles of countries like Japan, Korea, Singapore, Taiwan and Hong Kong in the 20th century. He has raised his concern regarding eradication of the poverty and narrowing the income gap between the developing Asia and developed countries and focused it to be the biggest challenge in the Asia.

In the Indian context Kapoor and Sandhu (2005) ^[7] in their study on “Corporate Social Responsibility and Financial Performance: Exploring the Relationship” attempted to highlight that company size and industry category correlate with the company’s disclosures on social spending, similarly suggest a positive impact of CSR on profit and insignificant positive impact on corporate growth.

Gupta (2005) in their research paper attempts to chalk down a road map for signifying the importance of Corporate Social Responsibility (CSR) as a whole and this paper underlines the role of corporate giants operating in India by citing examples of different Indian business houses for providing a guidance to achieve overall human development.

Frolick, Mark. N and Ariyachandra, Thilini R (2006) study on “Business Performance Management: One Truth” highlighted the business performance management consist of a set of management and analytical processes, supported by technology which enable businesses to define strategic goals and measure and manage performance against the defined goals, which includes financial and operational planning, business modelling, analysis, reporting and monitoring key indicators linked to business strategy. The

business performance management involves consolidation of data from various sources, query and data analysis and putting the results into practice.

Orsato (2006) ^[2] in his study suggests that a company can adopt any of these marketing strategies to incorporate with the changing trend of sustainability, these are

- Environmental cost leadership -This strategy helps the firms operating in price sensitive environment by offering the products and services that give more environmental benefits at a lower cost price.
- Eco-branding – To what extent a business firm’s differentiation its product and services from other competitors to promote environmental responsibility.
- Beyond compliance leadership- This approach should adopted by business firms those supply industrial markets and through adoption of different strategy to demonstrate their ecological credentials and environmental excellence. For example, the adoption of the UN Global compact principles or other Environmental Management System (EMS) schemes.
- Eco- efficiency – To develop lower cost through the promotion of resource productivity (e.g. energy efficiency) and better utilization of available by-products. This approach should be adopted by the business firms to focus on reducing the environmental cost and environmental impact on their organizational process.

Rao (2007) in his research note entitle “Fostering inclusive growth” highlighted the few of the points as addressed by our Prime Minister Dr. Manmohan Singh in the year 2007.He mentioned the Prime Minister Strategy for Inclusive Growth to be a sharp increase in investment in rural areas, rural infrastructure and agriculture to bring up a socio-economic balanced growth. further he emphasize the need of a sustainable equitable and inclusive growth taking into account the basic needs of all section of the society of our country. Interestingly, the literature of KPMG and ASSOCHAM (2008) considered the companies’ CSR as a part of society and therefore they should act in a social responsible manner beyond economic performance.

Some companies have developed a proactive approach to determine how their operating environments are changing by considering future potential scenarios facing their company. For example, Shell, one of the renowned multinational energy company in its analysis identifies two possible scenarios based on how government and companies respond to the energy production and sustainability challenges. In the first ‘scramble scenario’ there is energy price volatility and no effective carbon pricing whereas in the second ‘blueprints scenario’ effective carbon pricing is established and energy efficiency standards are put in place, the transport sector and new energy infrastructure develops. (Royal Dutch Shell, 2008). These two scenarios help Shell company to plan for alternative realities in its strategic planning.

Kewalramani (2014) ^[3] in the study on “why business needs to have a heart”explained a theoretical frame work that extended an in depth understanding of six reasons for why CSR matters. The socially responsible brands that delivered

¹ Mintzberg H. (1987), the strategy concept: five Ps for strategy, *California Management Review*,30,1(Fall),11-26

² Paul Baines, Chris Fill and Kelly Page (n.y) in the book *MARKETING*, OXFORD Publication, Page 57-60

³ Tanya Kewalramani, CEO Centre for Ethical Life and Leadership on why business needs to have a heart.

a high level of customer satisfaction. Here the researcher attempted to elucidate few vital concepts like (i) corporate social responsibility makes money sense (ii) Cost Savings (iii) Customers Engagement (iv) Attracting employees (v) Better branding (vi) Encouraging innovation. The end findings of the study and the message is through genuine and meaningful engagement through CSR can lead to loyalty and profits from discerning customers.

Burange, Karnik and Ranadive (2014) in their study entitled "The Experience of India's Inclusive Growth" focused about in the Emerging Market Economies (EMEs) inclusive growth and economic development were main objectives to tackle economic problems that cover education, health, employment, women and child development, rural-urban infrastructure, and social security measures under the 11th Five Year Plan. The end findings of the study revealed that despite multiple measures taken by the government, their effectiveness remains low due to lack of proper co-ordination between the pro-poor schemes and their implementation.

Nidhi (2014) in the research article "Corporate Social Responsibility & Inclusive Growth" explained in India the corporate sector is more active and aggressive than the government sector in this area. Globally many business leaders accepting the concept of CSR and agreed that it should streamlined the business activities of the companies. For Indian economic system have many issues and challenges to achieve inclusive growth, it helps in increasing the growth rate and enlarging the size of the economy while increasing productive employment opportunities. It is important to recognise the gap between reform and outcome to achieve the long term perspectives. Inclusive growth signifies implementation of policies for sustainable development as a whole.

Gemma Corrigan and Attilio di batisto (2015) analysed to achieve both the social inclusion and economic growth and India should focus on priority areas of reforms like, (i) To reform the tax coding system and expanding social action (ii) To reduce regulatory norms for fostering formal entrepreneurship (iii) To improve basic infrastructures (iv) To make education system more equitable (v) To increase transparency of public administration (vi) To enlarge access to finance for needy and rural population.

Das (2015) ^[2] study entitled "Dimensions of Inclusive Economic Growth in India" explained a theoretical framework of how the inclusive growth is not just limited to increase the income level of poor people but also to ensure that people must actively participate in the growth process, which includes improvement in multiple dimensions which contemplating both standard of living and empowerment. This paper discusses four important dimensions of inclusive growth. They are; (i) Human Resource Development (ii) Strategies of full employment (iii) Improvement in quality and capacity of labour (iv) Sound social security system. At present time, if we consider all these factors India has to strive hard to achieve inclusive growth.

Dash and Mishra (2017) ^[1] research work entitled "Institutional theory as a driver of CSR: an integrative framework" that discussed various aspects of CSR activities of organisations and focuses on three specific areas in CSR: focus of multinational corporation, as substitute for institutional mechanism and reporting. The study finds that the role of MNCs as institutional entrepreneurs straddling different economic environments is verified, and the study

suggests that institutional mechanisms enable homogeneity as well as heterogeneity of CSR reporting should be maintained.

Conclusion

From the investigation of above literature it is confirmed that CSR has a direct linkage with the inclusive growth in society. Further contribution for CSR to achieve inclusive growth in society adds to the goodwill of organisation. It is therefore essential for the management to keep an eye for its CSR expenditure with adequate transparency and accountability. The contribution for the CSR largely depends on the nature and size of business. It is sensitive task for the finance managers to have a proper planning for their CSR needs and to maintain the budget accordingly keeping in mind the various sources of income as contributing factor.

As companies are operating in the society thereby using the natural, financial and human resources, their contribution for inclusive growth as a mandatory requirement should be considered as a welcome measure. To achieve this overall objective the management need to carefully follow the policy guidelines as and when implemented by the government without compromising its solvency and profitability, which adds to the net worth of the organisation.

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