

CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL ENTREPRENEURSHIP IN HARYANA

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ABSTRACT

Corporate Social Responsibility involves social and environmental issues in businesses regarding environmental management, efficiency, labor standards and working conditions, social equity, gender issues, human rights, education and alike. The Ministry of Corporate Affairs, Government of India has notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules) making it mandatory with effect from 1st April, 2014 for the companies fulfilling the criteria as mentioned under Sub Section 1 of Section 135. The present paper aims to examine the corporate social responsibility and entrepreneurship and to understand the concept of CSR and its justification. The review of theory and empirics reveals that CSR is not to be considered as a charity work or philanthropic idea. The companies and the governments are responsible for the environment degradation, degradation of social values, cultural harms, corruption and many more issues. Limited liability does not mean limited responsibility. Sustainable development (economic-socio-political-cultural), inclusion of disadvantaged and marginalized must be in focus of the companies and the governments. The rising rich-poor divide proves that the benefits of growth and development are appropriated more by richer sections and by owners of the resources. A proper understanding of the concept of CSR will automatically lead to the social entrepreneurship.

Key words: corporate social responsibility, Haryana, environment, companies, good governance.

INTRODUCTION

Corporate social responsibility (CSR) and Social entrepreneurship are considered twin solution to the problems of rich-poor divide, rising poverty, unemployment, health hazards, environmental imbalances and fast deteriorating social, ethical and cultural values. Social entrepreneurship is driven by sustainable social change through new innovations. It requires a very broader vision of business in terms of innovations, sustainability and their effects. Social entrepreneurship and CSR have attracted the attention of policy makers and the stakeholders of the society. The Ministry of Corporate Affairs, Government of India has notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules) making it mandatory with effect from 1st April, 2014 for the companies fulfilling the criteria as mentioned under Sub Section 1 of Section 135.

Understanding the concept of CSR: Corporate Social Responsibility (CSR) is referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. It involves incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. As mentioned by United Nations Industrial Development Organization (UNIDO), CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectations of shareholders and stakeholders. The Chairman of the CSR Committee mentioned the Guiding Principle as follows: "CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. It needs a process to integrate 'social, environmental, ethical human rights and consumer concerns' into their business operations and core strategy. It means that entrepreneurship must be committed to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large. According to UNIDO, "corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders." CSR is a way of conducting business leading to social entrepreneurship by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth. It's applicable to the companies having net worth of INR 500 crore or more; or turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year (Sub Section 1 of Section 135 of the Companies Act, 2013). These companies shall be required to constitute a Corporate Social Responsibility Committee of the Board with effect from 1st April, 2014. It will comply with the provisions of the CSR like establishing a guideline for compliance with the provisions of regulations to dedicate a percentage of Company's profits for social projects, ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting creating opportunities for employees to participate in socially responsible initiatives (Companies Act, 2013). CSR activities must aim to improve the lives of underprivileged by eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water, promoting education, including special

education & employment and many more such activities, ensuring environmental sustainability. Social entrepreneurship involves either purely non-profit businesses or social business ventures. This concept is not much popular in India. SEOY (social entrepreneurship of the year) Award is given for the last 13 years. The best examples of Social entrepreneurship in India are MadhuPanditDasa, 'AkshayaPatra', Urvashisahni, 'Study Hall Education Foundation', Husain, 'Educate Girls'.

Objective of the paper is to understand and analyze the concept of CSR and Social entrepreneurship and its justification. The paper is divided into the following sections. Section I reviews the theory and empirics regarding CSR. Section II seeks to explain the justification of CSR. Section III highlights the CSR initiatives and evaluates the CSR initiatives in Haryana. The last section discusses the ways and means of an effective CSR in Haryana.

SECTION I

Review of the theory and empirics: Many researchers have expressed their views on CSR. A brief review is presented below.

Richard E. Wokutch(1990) focused on the Japanese management of corporate social responsibility (CSR) and points to the lack of understanding of CSR in Japanese firms especially regarding management of occupational safety and health. It stresses on the need of the development of cooperative labor-management-government relations and the integration of occupational safety and health.

Broberg(1996) provides an examination of the Scandinavian view on the five best known models for achieving corporate social responsibility. The paper finds that a company working for profit motives harms the various stake holders in the society. The Scandinavian countries, Sweden, Finland and Denmark opine that views and attitudes affect the future work of corporate social responsibility. The study finds that the regulation and enforcement model is significant. Mandatory and voluntary pursuit of non-profit goals must be encouraged. It suggests five ways of avoiding cost externalization: (1) Deregulation along with company's responsibility directed towards the shareholders only. (2) Pursuit of non-profit goals (3) economic goals are more important and setting up an independent body to control management. (4) Putting representatives for various non shareholder interests on the company's board. (5) Proper regulation and control.

Corlett (1998) studies essential features of Samuel Scheffler's hybrid theory of ethics and provides an agent-centered analysis of moral thinking. The paper uses Scheffler's ethical theory to the matter of corporate social responsibility. It concludes that business must be done with ethical values.

Schwartz and Carroll(2003) propose an alternative view of corporate social responsibility (CSR). A three domain approach includes economic, legal, and ethical responsibilities as the three domains are overlapped. The study analyses Carroll's Pyramid of CSR: Economic, Legal, Ethical and at the top Philanthropic. The ethical domain of CSR includes those activities that are based on their adherence to a set of ethical or moral standards or principles. The ethical domain of CSR includes practices which are not in the interests of the society or prohibited by society although not codified into law. There refer to the standards, norms or expectations that reflect a concern for consumers, employees, shareholders and the community regarding the protection of stakeholders' moral rights.

Detomasi(2008) points that CSR activities are affected by the domestic political institutional structures. It highlights that due to globalization, there is now urgent need of CSR policies. The electoral influence and social will affect the effectiveness of firm's CSR policy.

Taneja and Gupta(2011) examine the need of research in the field of CSR for the period 1970-2008. It analyzes the research paradigms for the assessment of CSR and uncovers the implications of this study and directions.

Guha (2011) corporate social responsibility implies a proactive role by the political parties, civil society organisations and academic institutions towards reforming the legal and administrative procedures of land acquisition in a democratic country. The study points to the case of land acquisition in the state of West Bengal. The study reveals the possible hurdles in the way of corporate social responsibility.

Bansal(2014) highlights that social entrepreneurs can be –Rain-makers (the revenue generators with non-profit motives), change-makers (which bring large changes through small efforts), Spiritual capitalists (fully devoted to the welfare of the people).

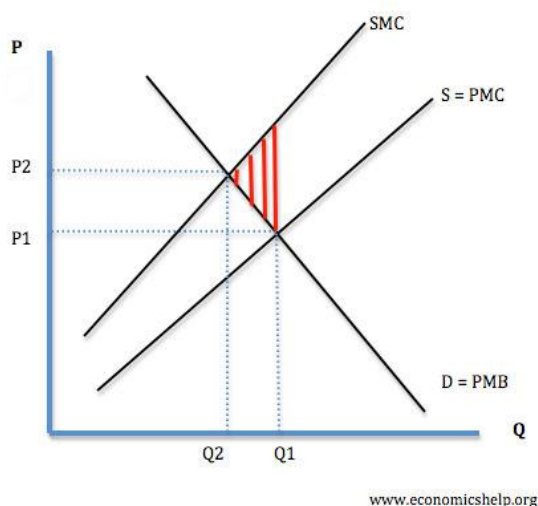
The review of theory and empirics reveal that CSR is not be considered as a charity work or philanthropic idea. The companies and the governments are responsible for the environment degradation, degradation of social values, cultural harms and corruption and many more issues. Limited liability does not mean limited responsibility. The concept of Social entrepreneurship has not been much popular. There are some Social entrepreneurs like BinderswarPathak (sulabh Toilets), Ishita Khanna (eco-tourism Spiti Ecosphere), Inbandhu Sahoo (Seaweed cultivator project), Anand Kumar (Super 30 classes for JEE), Anshu Gupta (GUNJ) and madhuPanditdasa (AkshayaPatra) and many more.

SECTION II

JUSTIFICATION AND THE NEED OF CSR AND SOCIAL ENTREPRENEURSHIP

Sustainable development (economic-socio-political-cultural), inclusion of disadvantaged and marginalized in the development process must be in focus of the companies and of the governments. The rising rich-poor divide is strong proof that the benefits of growth and development are appropriated more by richer sections and by owners of the resources. The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda.

- ❖ **Economic justification:** (In tune with the economic-socio objectives): The businesses are done within the natural, social, political and cultural environment of the nation. When a company uses the natural resources, simply the money payment for the natural resources does not allow the companies to exploit these resources because these are the assets of the nation. These are assets not only for the present generation but also of the future generation. It is the economic, social and ethical responsibility of companies to conserve these resources. Pigou argues that alcohol has external costs, such as creating more demand for police and health care. Baumol opines that the production processes create environmental costs like disposal of toxic wastes, sulfur dioxide, particulates etc. Pesticides affect directly or indirectly the food we eat. Many of the commodities produced by companies are not required and not suitable for human use in the greed of more profits, useless products are being produced which has posed threat to the environment and life. Negative externalities are not measured and not taken into account. Negative externalities occur when the consumption or production of a good causes a harmful effect to a third party. Various cases like production of chemicals cause pollution. Negative externalities lead to social costs and become more than private costs. (refer diagram). Social costs are greater than private costs. Market mechanism fails to determine the price for it.



- ❖ **Prosperity is indivisible:** By over exploitation of resources, companies earn huge profits but by impoverishing the people or the earth, companies will not be able to survive. Therefore, it is essential to make the entrepreneurship socially beneficial.
- ❖ **Political justification-** Political leaders are under voter pressure to raise employment and reduce poverty. Therefore, they allow production units even compromising the production standard and environment costs. Business pressure from the international markets ---groups, national and international pressurize the leaders. The goals of a firm's political strategy are to preserve societal legitimacy, to maintain flexibility in dealing with the demands of host governments, and to avoid protectionist barriers that will harm a company's capacity to compete. Businesses use CSR as a political tool to achieve these objectives depending on the political conditions they confront. But it is not in the interests of the stakeholders of the society. A strong political will is mandatory for an effective CSR.
- ❖ **Social justification:** The best business environment comprises all the stakeholders of the society. The companies have no right to harm the society's stakeholders. The businesses affect the social values and cultures of the society. The companies must owe this responsibility to keep the good social institutions in order. The production of drugs, wine, cigarette and other such products generate huge profits to the companies and also huge revenues to the governments, yet these products do not promote social welfare. Of course, the argument here is not to stop production (in specific cases, it may be required), but to emphasise that companies must give sufficient warnings against the harmful effects of these products. For example, the use of alcohol may lead to higher rate of illness or divorces in the society.

- ❖ **Ethical Justification:** The law may not codify the ethical behaviours of the companies. But each firm knows its ethical limits and responsibility. Companies have no right to befool the society's stakeholders for the sake of capturing the market and earning profits.
- ❖ **Globalization and corporate social responsibility:** In the present scenario of increasing globalization, there is constant threat of severe damage on local cultures, the environment, and political autonomy. Companies take advantage of governance gaps in the poor administrative policies. Moreover, Governments attract FDI and companies seek low costs production sites. Neither the Governments nor companies think of the environmental, economic, cultural damage and health damage. The biggest example is Fair & Lovely which is injecting skin colour bias in the minds of people.

It is very much important that the concept of CSR and of Social entrepreneurship is understood clearly by the companies and the governments. If companies undertake CSR activities, it is not a favour to the mother Earth or to the life on Earth. Companies must understand that their existence depend on the quantity and quality of natural resources, on ecological balance, on healthy human resources and on flourishing fauna and flora. A proper understanding of the concept of CSR will automatically lead to the social entrepreneurship. A very broader vision of life, happiness, health and brotherhood (which every religion and ethical codes establish) is at the heart of CSR. It is not for the sake of donations and half-hearted social activities that CSR is to be understood. CSR must be seen not from profit and loss angle.

SECTION III

CSR IN HARYANA

Haryana completed 50 years of its formation on November 1, 2016. Haryana is 20th State of India. On Nov. 1966, Haryana was carved out of Punjab on the basis of language. The State economy grew at a CAGR of 12.12 percent during 2014-2016. Its per capita income is now one and a half times more than that of Punjab. The State economy derives 81 percent income from industry and services sector. The organized industrial sector that consists of large and medium units and SSI in the NCR has developed both horizontally (number of units) and vertically (growth of different industries). Haryana sub-region has recorded a significant change in manufacturing units producing engineering goods consisting of metal products and parts, and machine tools and electric machinery; show the highest share of a percentage distribution. The primary industrial sector locations are Gurugram, Manesar, Bawal, Faridabad, Kundli, Murthal, and Panipat.

This section of the paper analyses the state of CSR in Haryana. Haryana is one of the fastest growing economies of India. Haryana has the locational advantage of being near to national capital and 13 districts of Haryana form a part of sub region of NCR.

It will be interesting to examine the CSR initiatives of the companies in Haryana.

- Haryana government plans to provide online coaching to 50,000 youth under CSR initiatives for improving their skills and employability.
- HARTRON's Corporate Social Responsibility vision is to actively contribute to the social and economic development of the communities in which the company operate in tune with the requirement of Law and in so doing build a better, sustainable way of life for the weaker sections of society and of the community at large. Hartron has identified 8 broad sectors to be undertaken under CSR program which are: IT Literacy, Education, Health, Environmental sustainability, Women Empowerment, Rural Development, Eradicating hunger, poverty, malnutrition, Contributing to Prime Minister's/Chief Minister, Haryana's Relief Fund. HARTRON provides digital literacy to each household in selected villages which would enable the beneficiaries to use IT and related applications so as to enhance their livelihood. HARTRON has adopted the village Mandhana in Tehsil Morni, District Panchkula for the purpose.
- Softage Information Technology Ltd, one of the leading firms in providing solutions and services in document management, has undertaken a new CSR initiative (Yogdaan) to provide better facilities for under privileged children in Haryana. National Rural Drinking Water Programme together with Softage made an endeavour to aid and assist the government in its programmes and make significant contribution towards the fulfilment of providing adequate and potable drinking water to all the people residing in rural areas. The project for providing clean drinking water at GGM school, Sudaka Nuh, in Mewat, Haryana was completed this month. On the onset of the extreme winters, the Softage foundation has also previously distributed 25 blankets for underprivileged students at Madarsa Dural Quran Vil Gulatatah Punhana Distt- Mewat, Haryana.
- Sona group is actively involved in CSR activities for saving environment, for the growth of the community etc. It is doing special efforts to reduce energy consumption and taking strong decisions for zero waste.
- Honda Motorcycle & Scooter India (HMSI) follows a proper CSR policy which states that HMSI shall direct its resources to the extent reasonable in order to improve the quality of life of the people by focusing on Environment, Education, Sports, Rural Development & other Humanitarian & Social causes to enhance the joys

in their lives. HMSI undertakes very large number of projects for the needy and marginalized section of the society.

- UNO MINDA Group, is committed to supporting various social causes. The Group started MindaBal Gram, Minda schools with a vision to provide food, shelter, medical facilities & education to underprivileged children. Recently multispecialty hospital has also been inaugurated by Haryana Chief Minister to provide medical and health facilities. Samarth-Jyoti, A CSR initiative of UNO MINDA Group also started in 2012 with a vision to enable and empower disadvantaged group to live with dignity and happiness and for the welfare of Society. Currently it is operational in four states (Haryana, Maharashtra, Tamil Nadu and Uttarakhand) with seven centers. Each center is having a competent team to support and ensure effectiveness of the program mentored and monitored by head office at Naharpur, Manesar, Haryana.
- SRF Foundation, formerly known as the Society for Education and Welfare Development, was set up as the Corporate Social Responsibility (CSR) arm of SRF Limited. It started by setting up The Shri Ram Schools (TSRS) and academically supporting SRF Vidyalaya, Lady Shri Ram College, Shri Ram College of Commerce, The Shri Ram Research Institute, The Anglo Sanskrit School and many others.
- Su Kam adopted Baniyani village in Rohtak, the native village of Haryana Chief Minister Manohar Lal Khattar. Su-Kam is going to provide facilities required at the government school in the village, develop roads and install street lights.
- Social entrepreneurship can be found in terms of NGOs in Haryana. There are around 971 NGOs in Haryana and Government has NGO policy.
- Agarwal Packers and Movers Ltd. took all the steps possible to help people of India during any national emergency. The floods in Haryana were one such incident when APML used all its resources to reach out to the people who suffered the loss of lives and property. Around 60 branches of the APML family extended their help and every individual wanted to make sure that they involved themselves in helping the victims.
- DLF Foundation was awarded by Haryana for its contribution towards Corporate Social Responsibility (CSR). The Company plan to launch various social and development initiatives under the banner of "Gurugram Rejuvenation Mission."

Following are the parameters of assessment of CSR of any company.

- **1) Economic ground:** It is essential that the company is operational satisfying economic justification.
- **Environmental ground:** The company must be working in tune with the environment sustainability.
- **Political ground:** Is the company working as a pressure group on political parties and getting its work done.
- **Social ground:** Are the stakeholders suffering due to generation of social disvalues, health hazards and cultural hazards.
- **Ethical ground:** How much concern is shown by companies to the ethical business values?
- **Legal ground:** Are companies responsive to the expectations of the society according to the laws?

Most of the companies are operating to earn profits only and in the name of CSR, they perform some half hearted projects which do not provide guard against health hazards, environment hazards and do not ensure society's welfare through their businesses.

Most of the companies perform pre-project surveys to assess the cost of business, threat of competitors and the possible demand of the consumers. No company evaluated the environment effects, social/political/cultural/health effects of its business operations.

SECTION IV

CONCLUSION AND SUGGESTIONS:

- 1) In nutshell, it can be said that CSR has not been understood in its true spirit. Had it been understood and acted upon, the problems of poverty, inequality, health hazards, global warming, degradation of social and cultural values, environmental degradation would not have occurred.
- 2) Many researchers have been done. But intensive researches are required in this area.
- 3) Lack of good governance, loopholes in the laws, administrative inefficiency is responsible for poor CSR.

- 4) Commercialization and Globalization have not contributed positively to CSR and the concept of social entrepreneurship.
- 5) Lack of business ethics and lack of concern for the environment has remained there.
- 6) Poor implementation of laws and slow justice (take the case of Bhopal Gas Tragedy) has done lots of harms to the environment and to the society.
- 7) Social entrepreneurship and CSR go hand in hand.

SUGGESTIONS

- 1) The Coase theorem is a method of tackling the inefficiency caused by an externality, by awarding property rights to the externality to one party and allowing the parties concerned to bargain their way to an efficient solution.
- 2) Good governance is essential for the implementation of laws and to make the companies follow CSR in its true sense.
- 3) Heavy money punishments and laws for the closure of production units needed.
- 4) The concept of social entrepreneurship must be made popular and young minds can do miracles in this direction.

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