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Exploring the Role of Corporate Social Responsibility in Economic Development-A Theoretical Framework

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Abstract

The central aim of enhancing economic productivity of India is to improve the overall development of majority of Indian industries or corporate sectors who are not at par with govt. rules and regulation, So there is a need of proper implementation of different corporate law which will bring some sort of economic growth vis a vis economic development. As we are observing since 7 decades after independence, the existence of corporate sector is not so fruitful to bring the economic development and growth in the country. There are many factors which are considered to be a major hindrance to overall development. There is a plea for the integrated view of the development which should embrace development in all sectors. In specific there should be growth and development in all sectors. In specific, there should be growth and development in all aspects basically in industrial sectors which are called the back bone of Indian economy. Which encompasses status, equality, security, complete physical, mental, and social well being of the target group especially the Indian population. Under the Corporate Social Responsibility the companies are supposed to set aside at least 2% of their average profit in the last three years for CSR activities. The law has listed out a wide range of activities under CSR, which cover activities such as promotion of education, gender equity and women's empowerment, combating HIV/AIDS, malaria and other diseases, eradication of extreme poverty, contribution to the Prime Minister's National Relief Fund and other central funds, social business projects, reduction in child mortality, improving maternal health, environmental sustainability and employment enhancing vocational skills among others.

Keywords- Corporate, Social Responsibility, Economic development

Introduction

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Social responsibility is the obligation of business to act in a manner which will serve in the best interest of the society. Social responsibility of business to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society. The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Under Section 135 of the Companies Act, 2013, 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. Thus CSR is not charity or mere donations. CSR is a way of conducting business, 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."

The concept of development can be divided into three categories viz; social development, political development and economic development. Industrial Development can reflect these development aspects. The concept of social development implies making use of opportunities which help in improving and enriching each of the composite parts of a society in many ways. It also refers to the development in the social order of the society and the notion of social progress and socio-cultural evolution. It also includes cultural and spiritual development which can also help mental development in the family relationship. The concept of political development of a particular area implies the political awareness of the people of that area. Political developments enhance the state's capacity to mobilise and allocate resources and to process policy inputs into implementable outputs. The contemporary notion of good governance also dwells on efficient, effective, and non-corrupt public administration. If people are politically developed then they can play a crucial role in making societal development (infrastructural and economic development) through forming local government. The concept of economic development implies well-being, quality of life, standard of living, economic opportunity, improvement of employment status etc.

Importance of the study: -

Today the operations of corporate houses affect a wide spectrum. The resources they make use of are not limited to those of the proprietors and the impact of their operations is felt also by many a people who are in no way connected with the enterprises. The

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shareholders, the suppliers of the resources, the consumers, the employees, the local community and the society at large affected by the way an enterprise functions. Hence the corporate house has to be socially very responsive so that a social balance may be struck between the opposing interests of these groups. Success of country through the economic development do not just happen. They are the result of the combination of right environment, culture, planning, effort, right law and innovation and this right mix only can be achieved by the government.

Statement of the problem:-

In India different laws are there to protect the interest of different stakeholders of corporate houses such as shareholders, the suppliers of the resources, the consumers, the employees, the local community and the society at large affected by the way the corporate houses function. So our concern is that whether these laws are able to bring economic development of the country as a whole or not.

Objective of the study

With a view to highlighting about the sustained and balanced regional development of this region and the economic development of the country as a whole and to see improvement in the standard of living of the people due to implementation of CSR under companies act 2013. The present study attempts to focus the impact of corporate social responsibility on economic development of the country.

Methodology of the study

The study is descriptive type of research based secondary data .The secondary materials have been collected from the journals, books, Manuals, articles and internet etc.

Limitation of the study

Major limiting factor is that the study is totally based on secondary sources and confined to one area of Corporate Social Responsibility that is economic development.

Theoretical Framework

This section deals with some concepts about Corporate Social Responsibility and the theoretical. Dimensions /indicators of Corporate Social Responsibility and how theoretically Corporate Social Responsibility is related with the economic development.

Economic development is very much important for any contemporary society as it is economic development that gives a country the potential to prosper and grow. The actual goal of economic development is the improvement of the quality of life of ordinary citizens. So, in this sense, economic development creates a completely new life-standard for people and thereby transforms a simple, low-income economy to a modern, high-income economy. In other words, economic development is the development of economic wealth of countries or regions for well-being of their inhabitants. Economic development can also be enhanced if the local quality of life is improved. The process of economic development is a multi-sided

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process as the improvement of quality of life includes numerous aspects such as the development of the social sphere, the development of culture and national creativity, the creation of favourable social climate, social security, labour supply and many others. Besides, economic development is also the creation of a competitive business environment where competition is the driving force for the development of the companies which ultimately leads to the economic development of the country. The term economic development is far more comprehensive than economic growth. Which is generally measured in terms of GNP but economic development implies progressive changes in the socio-economic structure of a country. Apart from rise in output, it involves changes in composition of output, shift in the allocation of productive resources, and elimination or reduction of poverty, inequalities and unemployment. In this connection, Friedman (1972) defines growth as an expansion of the system in one or more dimensions without a change in its structure and development as an innovative process leading to the structural transformation of social system. Thus, economic growth is related to a quantitative sustained increase in the country's per capita output or income accompanied by expansion in its labor force, consumption, capital and volume of trade. On the other hand, economic development is a wider concept than economic growth. According to Myrdal (1974), it is the upward movement of the entire social system. It describes the underlying determinants of growth such as technological and structural changes. But it is difficult to imagine development without economic growth in the absence of an increase in output per capita, particularly when population is growing rapidly. Nowadays, the government is emphasizing on inclusive growth and development.

Areas/Dimensions/Indicators of Corporate social responsibility:

- ❖ Promotion of education
- ❖ Eradication of extreme hunger and poverty
- ❖ Gender equity and women empowerment
- ❖ Reducing child mortality and improving maternal health
- ❖ Combating HIV-AIDS, malaria and other diseases
- ❖ Environmental sustainability
- ❖ Social business projects
- ❖ Contribution to Prime Minister's relief fund and other such state and central funds
- ❖ Employment enhancing vocational skills

Corporate social responsibility and economic development are interrelated to each other. Corporate social responsibility is one of the vital development aspects in our society which affects the country's economic development. In other way, economic development can also influence development of corporate houses. Now, the government is emphasizing on the inclusive development. Inclusive development is a broader concept which incorporates all parts and sections of the society as well as corporate houses ie; all excluded parts should be included. It may be social, political and economic development. If inclusive economic

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development takes place in any country, definitely it can move development of corporate houses in upward direction as dimensions of corporate social responsibility and the dimensions of economic development is little bit similar to each other. Theoretically, corporate social responsibility and economic development may be the cause of each other and there exist a corresponding relationship between these two. Economic development is very much important for any contemporary society which helps a country to prosper and grow. The actual goal of economic development is the improvement of the quality of life of ordinary citizens. So, in this sense, economic development creates a completely new life-standard for people and thereby transforms a simple, low-income economy to a modern, high-income economy. In other words, economic development is the development of economic wealth of countries or regions for well-being of their inhabitants. Economic development can also be enhanced if the local quality of life could be improved. Now, without the participation of big segment (i.e. Corporate Houses) a nation or a society cannot achieve economic development. Though there are a lot of indicators of economic development, but for the present study, only those indicators of Corporate Social Responsibility such as Promotion of education, eradication of extreme hunger and poverty, gender equity and women empowerment, reducing child mortality and improving maternal health, combating HIV-AIDS, malaria and other disease, environmental sustainability, social business projects, Contribution to Prime Minister's relief fund and other such state and central funds, employment enhancing vocational skills are taken which have a direct relationship with economic development .

Conclusion

To sum up in a developing country like India, the emergence and implementation of corporate social responsibility is in innovative step for economic development. Corporate social responsibility and different law relating to this should be visualised as one of the component of a solution to accelerate the socio- economic development particularly the Indian population as a whole. It can be said that, in countries like India the role of government in relation to Corporate Social Responsibility is playing a vital role in eradication of extreme poverty, promotion of education, gender equity and women's empowerment, employment enhancing vocational skills, social business projects, combating HIV/AIDS, malaria and other diseases, , reduction in child mortality, improving maternal health, environmental sustainability and contribution to the Prime Minister's National Relief Fund and other central funds as a result upliftment in all sectors and sections of the country is going to take place.

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