

Corporate Social Responsibility in Rural Development

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ABSTRACT

According to 2011 census of India, out of total population of 121 crores, 83.3 crores people live in rural areas that count nearly 70 per cent of India's population. This population living in rural areas has neither adequate land holdings nor alternate service opportunities to produce or procure their livelihood. In the absence of adequate employment opportunities, the rural people are unable to generate enough wages to sustain their livelihood. In order to tackle and root out these specific problems, a number of rural development programs are being implemented by the governments to create opportunities for improvement of the quality of life of the people. It is a fact and the corporate have also understood it that there is a vast size and magnitude of rural market. So, the companies can take advantage of the situation by fulfilling their social responsibility. Corporate should augment their current charity efforts and utilize their business experience and capabilities to provide the required impetus to rural development and make valuable contributions in national development and prosperity. But the scenario has totally changed. Now sustainability, competition, environmental protection and finally customer delight have come in the picture. This paper tries to show that how national prosperity can be achieved through rural development and how corporate social responsibility plays an important role.

Keywords: corporate social responsibility, economic welfare, opportunity, rural employment

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INTRODUCTION

Corporate social responsibility (CSR) can be described as the continuous commitment by corporations towards the economic and social development of communities in which they operate. The corporate houses and organizations are prominently doing a great job in the national interest ever since their inception. Earlier also the corporate sector has played a prominent role in the development of the country. And these efforts must be maximized.

ROLE OF CSR IN RURAL DEVELOPMENT

Corporate social responsibility is a process leading to sustainable improvement in the life of rural people. The rural developmental programs intend to reduce

the poverty and unemployment, to improve the health and educational status and to fulfill the basic needs such as food, shelter and clothing of the rural population [1]. Earlier some companies spent a huge amount on charities, donations and advertisements to generate goodwill in society. But such type of gimmicks had no long term positive effect on the people. Charity or donation is a selfless giving towards any kind of social need, but CSR is not a selfless act. Companies derive long term benefits from CSR. Today in India CSR has gone beyond merely charity and donation purposes. Now it has become an integral part of the corporate strategy. Companies organize their CSR activities through policies and strategies and set aside the budget to support their CSR programs. These CSR programs could

range from overall development of a community or specific causes in the field of education, environment conservation, hygiene, sanitation, health and medical care or some local issues. Corporate are also joining hands with the local social groups or organizations and use their expertise in devising programs which address wider social problems like children education for the poorer, protection of girl child, gender inequality.

However, it is true that corporate social responsibility activity of any group or any corporate house alone cannot reduce the poverty of the rural area. There remains the main role of the government to formulate policies to uplift the living standard of the rural people and reduce illiteracy and poverty. The government has to find new ways so that the rural community can maximize their means of livelihood. The new policies of the government must focus on the upliftment of the rural people. The advantages of the technological changes happening worldwide should reach the rural areas. Rapid urbanization has created many problems for the governments and it is also a fact that urbanization has a limit. And to cop up with this problem rural development is the only solution. Because when the urban level facilities will be provided to the rural areas then the flow of migration could be minimized. Basic amenities like pure drinking water, sanitation, transportation network, educational institutions and e commerce, e-governance facilities are to be necessarily and urgently provided to the rural area. Here, a good example is the setup of common service centers (CSC) by Haryana state government in rural areas under e-seva scheme of the state. The purpose of these centers is to provide common facilities to rural people at their doorstep. The governmental and nongovernmental organizations and business houses together can make a big

difference. Sometimes it is also seen that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. In that case the responsibility of the companies is bigger [2]. They have to identify the needs of the locality. Mostly the companies are aware of the problems of the surrounding localities.

There are mandatory corporate social responsibility requirements in other countries. For example, the 2005 company law of the People's Republic of China has a set of obligations on companies that amount to corporate social responsibility. Article 17 of this law states that "A company shall protect the legal rights and interests of its employees, enter into labor contracts with them according to law, take part in social insurance, improve labor protection and make production safe [3]. A company shall take various measures to improve the professional education and on-the-job training of its employees so as to enhance their quality." In Saudi Arabia, the companies are required to pay amounts "equal to 2.5% of income and capital" to the revenue department. After the collection from the companies, the government distributes the amount to the needy around the country.

In India also, there are there are provisions for the companies. According to Companies bill 2012 "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Board of every company referred to in

sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. Provided that the company shall give preference to the local areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities [4].”

Sometimes the question arises that whether it should be mandatory, or the issue of corporate social responsibility should be left on the will of the companies. Do the companies need to voluntarily accept their obligations to society? According to Sunil Mittal, Chairman of India’s telecom giant Bharti Airtel “CSR should not be made compulsory as voluntary compliances are always better than forced”. Now it is up to the companies that in what way they feel about CSR activities. Whether they voluntarily come forward to take the responsibility of the development of their surrounding operational area or they want it as a legal compulsion.

The Bharti Airtel Company launched its new CSR initiative. The Family has decided to pledge 10% of their wealth (Rs 7,000 crore), including 3% of their stake in group flagship Bharti Airtel. The Bharti Family, by virtue of this commitment, aims to significantly step up the scope and reach of Bharti Foundation’s activities and enable it to develop and execute innovative development models to support aspirations of India’s underprivileged [5].

JSW Steel intends to set aside 1.5 per cent of its annual profit for corporate social responsibility activities. Speaking at the company’s annual general meeting, Mr Sajjan Jindal, Chairman, said the company is committed to allocating 1.5 per cent of profit after tax for CSR activities. He also

added that JSW Foundation has touched the lives of over nine lakh people through its CSR activities. The Foundation’s undertakes activities in the areas of Arts, Culture and Heritage, Livelihood and Empowerment (Especially of Women), Health, Education and Sports.

Over the years CSR has become an effective marketing strategy, a way for a company to enhance its positive image. CSR creates short term employment opportunities for the company by undertaking various projects. It improves operational efficiency of the company and is accompanied by increase in productivity thus helping the company in the long run. It gives a feeling of satisfaction and meaning to the lives of all those associated. It is also felt that the ethical conduct of the companies has an influence on the purchasing decisions of the customers. The customers who are aware about their surroundings either reward or punish the companies based on their perceived social performance. The customers take into account the ethical consideration when buying the products of companies. And also, there is increasing competition and saturation in urban markets. So, it has become mandatory for the companies to search new markets. And of course, the rural areas of our country can prove to be a big potential market for the companies [6]. The companies can make their way by honestly performing CSR activities for the rural population. There are certain steps which need to be taken to overcome the issues, challenges and hurdles of corporate social responsibility. To make the CSR activities more effective, there is a need of creation of awareness amongst the general public. There exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about such initiatives. The situation is further aggravated by a lack of communication between the company and

the community at the grass root level. Here, the media performs a better role. The media highlights good cases of successful CSR initiatives. One more thing that should be taken into account is that in some places (mostly in urban areas), there are more than one companies involved in CSR activities. The companies should equally consider their interventions for the needy and poor people of the interior locations of the countries. As seen after the devastating earthquake of Nepal, the disaster management teams reached the capital and main cities within few hours and it took 2–3 days for them to reach the rural areas. This research paper is based on secondary sources of data accumulated from reports, research papers and internet, focuses on CSR.

CONCLUSION AND RECOMMENDATIONS

Corporate Social Responsibility can make a valuable contribution to society. Organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. However, to make CSR a success it should be treated like any other aspect of business and not merely a forced obligation. The organization as a whole should be involved in the activities of CSR. The success of CSR lies in practicing it as a core part of a company's development strategy. No doubt that the concept of CSR is firmly there on the business agenda of the companies. But still there is a lot more to be done. Many obstacles need to be overcome. And the good thing is that the Indian companies are realizing themselves that without socio economic development of the rural

communities, there cannot be stability and sustainability to compete in the global market. The CSR programs implemented by the companies must be based on the felt needs of the local population so that their participation in the activities can be improved. The government should play the role of motivator and facilitator rather than director of corporate social responsibility. The Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing the CSR projects effectively. An annual report on social responsibility must be prepared to highlight the company's commitment to sustainable community. So, that there can be maintained a track record of all the activities going throughout the country.

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