



CORPORATE SOCIAL RESPONSIBILITY PRACTICES OF COMPANIES IN INDIA

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Abstract

Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It has grown in importance both academically as well as in the business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development. As the term "CSR" is used constantly, many harmonizing and overlapping concepts, such as business citizenship, business beliefs, stakeholder management and sustainability, have emerged. These extensive ranges of synonymously used terms indicate that multiple definitions have been devised for CSR, mostly from different perspectives and by those in facilitating roles such as the corporate sector, government agencies, academics and the public sector. The European Union (EU) has used definition of CSR in the business and social context. It describes CSR as "the accountability of the business enterprises towards the stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large"

Key words:- Corporate Social Responsibility, Rural Development

I. INTRODUCTION

CSR refers to ensuring the success of the business by inclusion of social and environmental considerations into a company's operations. It means satisfying your shareholders' and customers' demands while also managing the expectation of other stakeholders such as employees, suppliers and the community at large. It also means contributing positively to society and managing your organization's environmental impact. Hence, CSR is a contribution to sustainable development, implying the way a company balances its economic, environmental and social objectives while addressing stakeholder expectations and enhancing shareholder value. CSR not only includes the activities that a company undertakes in order to utilize their profit to enable social and environmental development, but also includes the methods that a company employs in order to earn these profits including socially responsible investments, and transparency to various stakeholders among others. Realizing the importance and the long-term benefit of being socially responsible many companies have incorporated socially responsible



business practices. The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders while considering environment and overall sustainability.

II. SOME EXISTING CSR POLICY INITIATIVES ACROSS COUNTRIES

As the importance of being socially responsible is being recognized throughout the world, governments are aware of the national competitive advantages won from a responsible business sector. Large corporations have progressively realized the benefit of implementing CSR initiatives where their business operations are located. The Organization for Economic Co-operation and Development (OECD) established a set of guidelines for multinational enterprises in 1976, and was thus a pioneer in developing the concept of CSR. The purpose of these guidelines was to improve the investment climate and encourage the positive contribution multinational enterprises can make to economic and social progress. In addition to the OECD's 30 member countries, observer countries have endorsed the guidelines. It is observed that, transparency in reporting enhances the focus on economic, social and environmental factors. It motivates companies to intensify their efforts in becoming socially responsible. Several efforts have been taken by various governments, to encourage CSR reporting, such as incentivizing companies who voluntarily report their CSR activities or by taking measures such as mandating CSR reporting. In 2007, the Malaysian government passed a regulation to mandate all publicly listed companies to publish their CSR initiatives in their annual reports on a "comply or explain" basis. Accordingly, all public listed companies (PLCs) in Malaysia have to either publish CSR information or they need to explain why they should be exempted. In another example, in 2009 Denmark mandated CSR reporting, asking all state-owned companies and companies with total assets of more than €19 million, revenues more than €38 million and more than 250 employees, to report their social initiatives in their annual financial reports. To enable transparency from businesses on the environment, social and governance front, France passed a law called Grenelle II, which mandates integrated sustainability and financial reporting for all companies listed on the French stock exchanges, including subsidiaries of foreign companies located in France and unlisted companies with sales revenue of more than €400 million and more than 2,000 employees. Although some CSR standards are mandatory, there are others, which comprise of both, mandatory and voluntary standards.

For instance, in 2006 the British Companies Act mandated all companies listed in the UK to include information about their CSR activities in their annual reports; however, a full length CSR reporting was made voluntary. A corporate responsibility index challenges and supports large organizations to integrate responsible business practices. Emerging markets such as Brazil, China and South Africa have become forerunners in CSR reporting in the developing world in terms of their involvement in CSR-related activities in order to promote the listed companies' credibility, transparency and endurance. The Johannesburg Stock Exchange was the first emerging market stock exchange to create a socially responsible investing (SRI) index in 2004. China has also encouraged CSR reporting in guidelines released through the Shanghai and Shenzhen Stock Exchange.



III. EVOLUTION OF CSR IN INDIA

India has a long tradition of paternalistic philanthropy. The process, though applauded recently, has been followed since earliest times although unofficially. Indian Philosopher such as Kautilya and philosophers from pre-Christian era in the West preached and promoted different ethics of business. The concept of helping the poor and disadvantaged was cited in several ancient literatures. In the era of pre-industrialized period, the focus of CSR was on religion and charity religion and charity were the key drivers of CSR. In the period of 19th century charity and other social considerations had a strong partiality. However, the donations, either monetary or otherwise, were sporadic activities of charity or philanthropy that were taken out of personal savings, which neither belonged to the shareholders nor did it constitute an integral part of business. During this period, the industrial families also established temples, schools, higher education institutions and other infrastructure of public use.

The term CSR itself came into common use in the early 1970s. The last decade of the twentieth century witnessed a shift in focus from charity and traditional philanthropy toward more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. In India, there is a growing realization that business cannot succeed in isolation and social progress is necessary for sustainable growth. An ideal CSR practice has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well socio-economic status

IV. POLICY FRAMEWORK FOR CSR IN INDIA

In the developing world, governments and businesses understand that their respective competitive positions and access to capital increasingly depend on being able to respect the highest global standards. At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it is a way of doing business resulting in a significant impact on community and long-term sustainability. The essence of CSR comprises philanthropic, corporate, ethical, environmental and legal as well as economic responsibility. An alternative, synonymous to CSR, is People, Planet, and Profit, also known as triple bottom line. In India, the evolution of CSR refers to changes over time in cultural norms of corporations' engagement and the way businesses managed to develop positive impacts on communities, cultures, societies, and environment in which those corporations operated. CSR motives changed during the independence movement in India toward social reforms to encourage empowerment of women and rural development.

In the last few years, CSR has rapidly increased and some companies are focusing on deliberate CSR initiatives to contribute toward nationality. Steadily, the companies in India started focusing on public needs such as health, education and national resource management. Intensive national level deliberations on the potential role and responsibility of the corporate sector in contributing toward addressing social issues were witnessed in the last decade. In the last five years, the Government of India has also enhanced its focus on persuading companies to participate in addressing social and developmental issues, not only as a part of their social responsibility but also their business practices. Setting an example for the private sector,



guidelines regarding expenditure on CSR activities for Central Public Sector Enterprises were issued by Department of Public Enterprises. According to these “Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises” revised by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises every year, each CPSE shall with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities/projects for the year.

V. REVIEW OF LITERATURE

Wood, (1991) corroborates that CSR is divided into areas of social contribution which directly relates with business competencies. Others have offered several distinct definitions of Corporate Social Responsibility. One from the World Business Council for Sustainable Development reflects the council’s focus on economic development in describing CSR as ‘business’ commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of Life .

Banerjee, (2007) states that the ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society. This obligation arose because some scholars and practitioners saw business as an instrument of society and managers as public trustees whose main job was to balance often competing demands of employees, customers, suppliers, communities and shareholders

Urmila, Moon (2011) states that CSR holds a very important place in the development scenario of the world today and can pose as an alternative tool for sustainable development. The much of the fortune is in the hands of business entities as they shown concerns towards the stakeholders.

Ahmed, Khalil, Mohammad (2011) states that corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in ‘spending’ on CSR is unclear and is left for the companies to decide It is clear from this paper that there is a correlation between Sales and CSR Investment. CSR has a wide-ranging effect across the globe especially in emerging markets. In India CSR is still at a very growing stage.

Khanna, Parul (2011) states that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people.



Usha, L, (2012) observed that CSR has come a long way in India. The businesses entities have improved the quality of life of the society. In the today's environment it is impossible for a single business to tackle CSR activities so the Corporate have to develop their strategy, effective manpower and money to explore the social changes.

VI. OBJECTIVE OF STUDY

The objective of this paper is to study the scenario of companies adopting corporate social responsibility that took place in the recent years in India.

Current scenario of companies adopting CSR in India

The Companies Bill 2012, once enacted, is envisioned to result in an increase in investments and strategic efforts for CSR in India. Companies will need to revisit their CSR policies, strategies and activities in order to align with the Clause 135. The CSR activities of 50 companies from the S&P BSE Top 100 Index⁹ were analyzed in order to identify the trends of CSR activities in India as represented by those companies that are a part of the index. The reader is advised that research was based on publicly available information. The accuracy of which cannot be determined.

Design

This section provides an insight on the implementation platform used by companies to implement CSR activities. It also highlights type of partnerships in practice for implementing CSR activities. There are several platforms in use by companies to manage CSR. Out of the 50 companies reviewed, approximately 40% have established a not-for-profit entity to manage and execute CSR initiatives. The remaining 60% companies are managing CSR initiatives from within the organization either by establishing a dedicated CSR department or giving the responsibility to the human resources function or to the Corporate Communication department. Currently, there is no mandate in the Companies Bill 2012 to establish a not-for-profit entity to implement CSR activities. Once the rules related to Clause 135 are finalized, the companies may need to review the advantages and disadvantages and arrive at an implementation strategy for their CSR activities. Partnerships are important not only for effective implementation of CSR activities but also for reach and long-term sustainability and to achieve measurable change brought about by social initiatives. Partnerships with other companies could help in supporting cost-intensive social initiatives and increasing the reach of CSR projects. It can be observed that only 28% of the companies have established partnerships with other companies for CSR initiatives. This is one area where strategic deliberations are required in order to evolve mechanisms and platforms where companies can collaborate to support important social initiatives in a focused and comprehensive manner and avoid duplication of effort and resources.

Partnership with local and state governments is another important factor that will help in better utilization of resources. Establishing partnerships and supporting the government have the potential to strengthen ongoing social programs and ensuring long-term sustainability. The

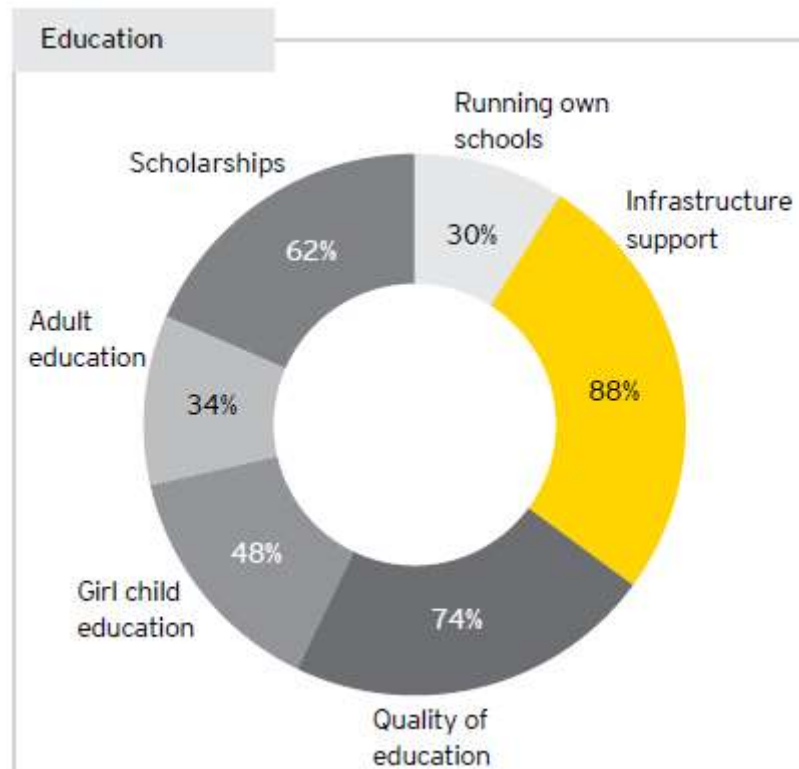


research indicates that 46% of companies have established partnerships and are found to be supporting programs or schemes of local or state government through CSR. Mostly, the support is in terms of improving infrastructure, providing equipment, learning aids and other supplies to government programs. This is another area, which needs strategic thinking and efforts so that companies can complement government's efforts by supporting government run programs and welfare schemes. Most of the companies implement CSR activities through NGOs. The research indicates that nearly 70% have partnerships with the NGOs for implementation of CSR activities. The remaining companies are implementing CSR activities directly; it is possible that these companies are not likely to have disclosed their partnerships in the public domain.

Deliver

The research focused on understanding broad thematic areas such as education, health care, environment, livelihood, rural development and disaster relief as a focus of CSR initiatives.

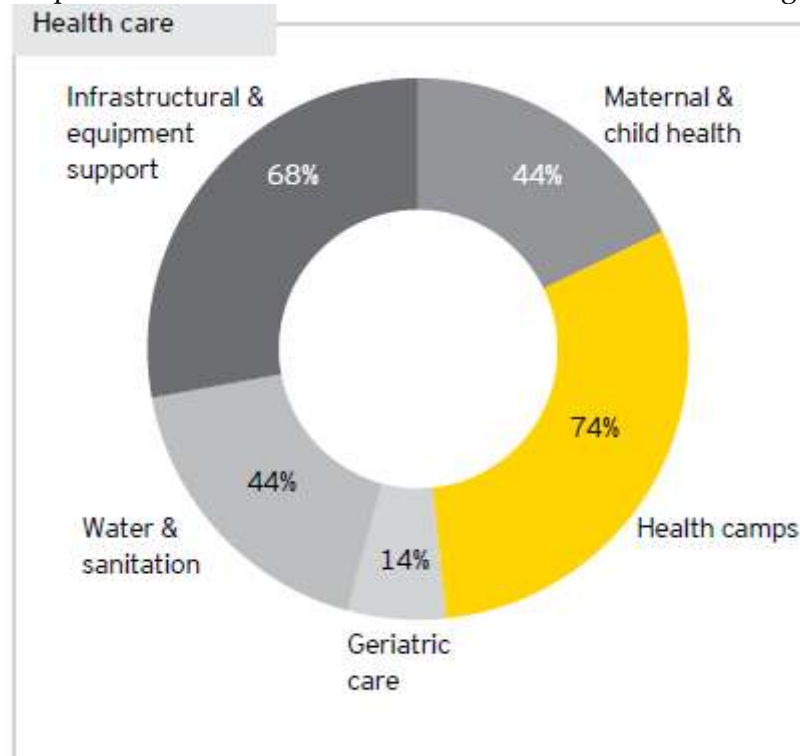
Furthermore, efforts were made to understand specific areas/ issues covered in each of these broad thematic areas. As presented in the figure most common thematic areas covered by the companies include health, education, livelihoods, environment and rural development. Of these thematic areas, education is the most common and research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development



Sources: - Report of Global Summit 2013

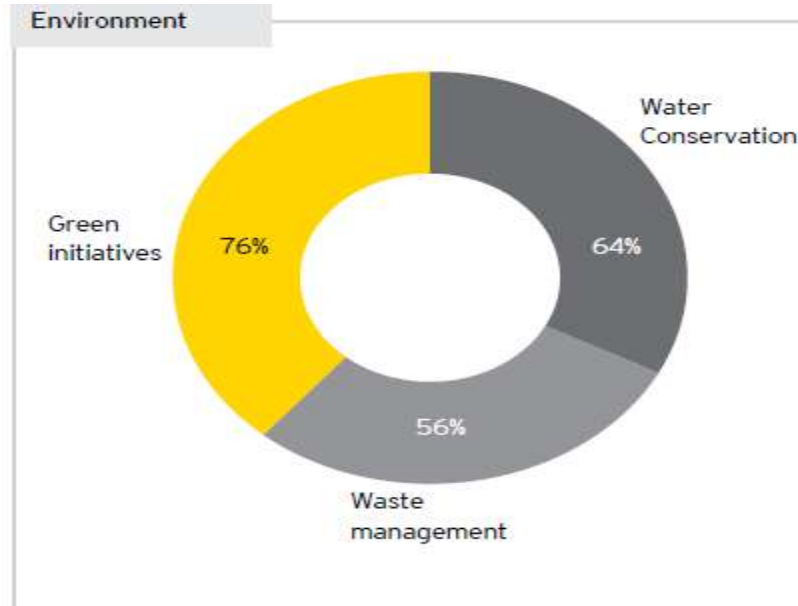


The research indicates that providing infrastructure support is the most common activity in the education domain, undertaken by approximately 88% (44 out of total of 50 companies focusing on education thematic area) of the companies. For the purpose of this study we have included equipment, furniture, books, teaching supplies, construction of libraries and renovation work for school buildings as a part of providing infrastructure support. Providing scholarships to disadvantaged students is another common activity being observed with 62% of all companies offering some form of scholarships. The research also indicates that approximately 74% of companies were also running projects to improve quality of education by offering coaching classes for underserved children, training primary and secondary school teachers in new and improved teaching methodologies and providing innovative teaching and learning aids. Around 34% of companies included in the research were found to be running their own school.



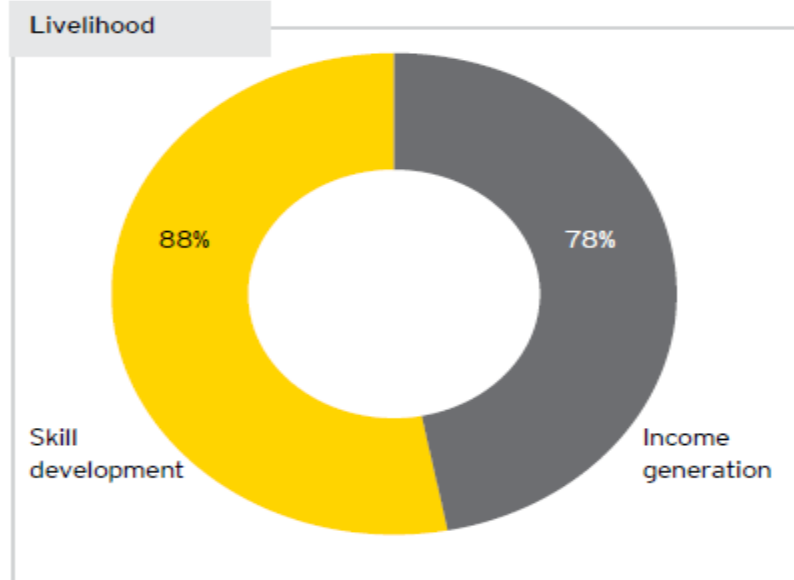
Sources: - Report of Global Summit 2013

In the health care domain, organizing health camps to offer curative services and raising awareness on health issues is the most common activity being implemented by nearly 74% of the companies included in the research. Providing infrastructural and equipment support is another common activity in the health care domain being undertaken by around 68% of the companies. The infrastructure and equipment support includes medical equipment and ambulances to hospitals and health centers as well as renovation of hospital buildings and construction of new health centers. Water and sanitation and maternal and child health are other chosen areas of intervention in the health domain.



Sources: - Report of Global Summit 2013

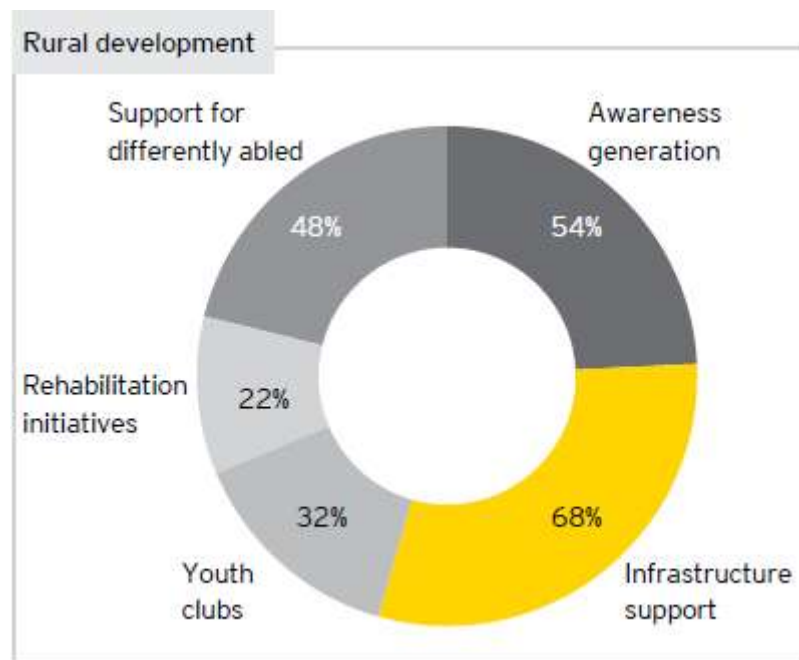
CSR initiatives aimed toward the betterment of the environment include green initiatives such as tree plantation drives to promote afforestation, efforts to conserve water and manage and dispose of waste responsibly. Green initiatives garner the highest attention with 76% of all companies undertaking specific initiatives to improve the environment and approximately 64% taking measures to conserve water.



Sources: - Report of Global Summit 2013



Of the 50 companies taken into consideration approximately 88% support skill development through vocational training and career counseling to improve skills and employability of candidates and subsequently their earning capacities. Some activities undertaken by companies have included improving the knowledge of people in their own field of work such as sensitizing farmers about new and improved farming techniques. Approximately 78% of the companies were found to be supporting income generation activities for people and especially for women in rural areas.



Sources: - Report of Global Summit 2013

In rural development, 68% of all researched companies have been working toward betterment of rural areas by providing infrastructure support such as building of check dams, revamping of water pumps and laying down of roads to improve connectivity. Companies have also been working for rural development through organizing awareness generation issues such as domestic violence, female feticide, and importance of education among others initiatives.

VII. CONCLUSION

We recognize that companies have, in their own ways, been contributing to the foundation of CSR in India. They have, with their desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. However, the efforts are not coordinated and a strategic national level policy framework with the involvement of all stakeholders may ensure that the efforts made by companies, individuals, organizations, and the government are synergistic and create a snowball effect. Therefore, it benefits more people,



utilizes resources more effectively, minimizes duplication and creates more value and really achieves development goals. By providing more clarity on standardizing the meaning of CSR in the Indian context and providing a favorable policy environment, the initiatives can be strengthened. These definitive steps are being undertaken by the Government of India implying that if companies employ CSR strategically this can lead to achieving more sustainable businesses. By creating a pool of resources, whether financial or technical, a win-win situation is within reach of all the stakeholders involved. The mandatory reporting standards being introduced in the Companies Bill will aid in creating uniformity and accountability of actions and also become a measure of the impact these activities will have and the ability measure the impact will be a step in a positive direction. Even the tools that have been developed for measuring social return on investment can be employed more effectively.

The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives, thereby indirectly benefiting and increasing their own incentive for efficient programming. As far as possible, the CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

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