

**CORPORATE SOCIAL RESPONSIBILITY IN INDIA****Mohit Bindlish**

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**ABSTRACT:**

The neo-liberal development model essentially refers to liberalization, privatization and globalization of the earth's resources for the greater benefit of the people. The emergence of big corporate and their ambition for the optimization of individual profits have led to an imbalance between development and environmental sustainability. Recent studies and surveys have shown that the earth is gradually becoming a dangerous place to live due to unsustainable human induced activities. Given that, the governments of many countries have stood up firmly to ensure that the ongoing developmental practices remain in optimal harmony with environmental sustainability as well as human security. Hence, the idea that environmental and social security are not only the responsibility of government but demands an effective participation from the corporate and business world. Corporate Social Responsibility (CSR) has assumed a new meaning in today's world, given that it has extended the boundaries of the firm into the society. In this paper we discuss the broad patterns of CSR practices among top 200 Indian corporations. We explain the concept of CSR in the Indian scenario, the social issues addressed by the Indian corporations, and methodologies adopted by them to address those issues. It will help the readers to understand the current state of Indian CSR, its impact on the Indian society, and how to measure the impact of CSR initiatives using a newly proposed CSR Impact Index.

**MEANING AND DEFINITION OF CSR:**

Corporate social responsibility is necessarily an evolving term that does not have a standard definition or a fully recognized set of specific criteria. With the understanding that businesses play a key role on job and wealth creation in society, CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental, and social imperatives while at the same time addressing shareholder and stakeholder expectations. CSR and business ethic focuses primarily on capacity building, empowerment of communities, more inclusive socio-economic growth, environment sustainability, promotion of environmentally benign and energy efficient technologies, development of underdeveloped regions, and upliftment of the marginalized and under-privileged sections of society (REC, 2013). World Business Council for Sustainable Development has defined CSR as "the commitment of business to contribute to

sustainable economic development, working with employees, their families, and the local communities”.

The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then furnished by Wartick and Cochran (1985). However, the credit to define CSR at the global level goes to Howard Bowen (1953) who highlighted the status and degree of responsibilities that business class should accept. Liberal thinker Milton Friedman defined the concept CSR in terms of owner’s objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests (Urmila, 2012).

### **KEY DRIVERS FOR CSR:**

The term is often used interchangeably for other terms such as Corporate Citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL), which is used as a framework for measuring an organization’s performance against economic, social and environmental parameters. The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities. Following are the key drivers for CSR are:

- a) Enlightened self-interest - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labour and communities are able to function well together.
- b) Social investment - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.
- c) Transparency and trust - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.
- d) Increased public expectations of business - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.

### **CSR- THE INDIAN SCENARIO:**

Even much before the issue became a global concern, India was aware of corporate social responsibility (CSR), due to the efforts of organizations such as the Tata Group. (Around 66 per cent of Tata Sons, the holding group of the Tata Group, is today owned by a trust).

Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major efforts to improve the livelihood standards of rural communities. Unilever is using micro enterprises to strategically augment the penetration of consumer products in rural markets. IT companies like TCS and Wipro have developed software to help teachers and children in schools across India to further the cause of education. The adult literacy software has been a significant factor in reducing illiteracy in remote communities. Banks and insurance

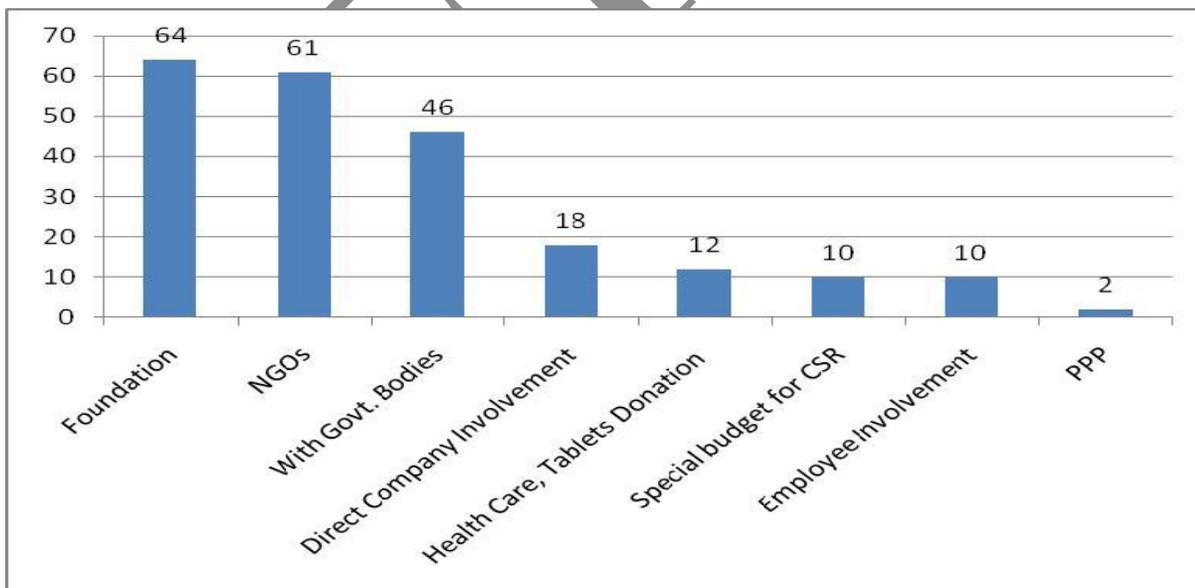
companies are targeting migrant labourers and street vendors to help them through micro-credits and related schemes.

In June 2008, a survey was carried out by TNS India (a research organization) and the Times Foundation with the aim of providing an understanding of the role of corporations in CSR. The findings revealed that over 90 per cent of all major Indian organizations surveyed were involved in CSR initiatives. In fact, the private sector was more involved in CSR activities than the public and government sectors. The leading areas that corporations were involved in were livelihood promotion, education, health, environment, and women's empowerment. Most of CSR ventures were done as internal projects while a small proportion were as direct financial support to voluntary organizations or communities.

In a survey carried out by the Asian Governance Association, which ranks the top 10 Asian countries on corporate governance parameters, India has consistently ranked among the top three along with Singapore and Hong Kong, for the last eight years. The effort is significant because it brings together a wide range of Indian companies to share ideas on innovating sustainable programmes. Among them are Multi Commodity Exchange of India Ltd, Anil Dhirubhai Ambani Group and media company Bennett, Coleman and Co. Ltd.

**CSR APPROACHES USED BY INDIAN COMPANIES:**

Based on our study we present the following chart that depicts the major approaches used by top Indian corporations to pursue their CSR activities.



**Chart 1: CSR Approaches adopted by Top 200 Corporations in India**

64 corporations, of top 200 Indian corporations have their own dedicated foundations to carry out their CSR activities. Foundations are not for profit organizations created for serving the society through various activities such as education development etc. In India foundations are generally registered as charitable trusts for the purpose of social development through poverty eradication programs, healthcare development programs etc. Hindustan Unilever, an Indian FMCG major promotes Unilever foundation, set up 2 years ago which to work towards improving the lives of poor in local communities and simultaneously nurtures markets of the future. The Unilever Foundation is a key initiative taken by Hindustan Unilever to achieve its ambitious goal of helping more than one billion people to improve their health and well-being and, in turn, create a sustainable future. (Unilever Foundation,2012) Therefore, CSR works through foundations of firms not only to achieve the compliance objectives but also to build markets for the future, where no market exists today.

62 out of the 200 companies in India work with NGOs, charitable trusts and other like -minded organizations for achieving their objectives of carrying out development in the society in which these organizations operate. For example Jet airways, India's leading airline with the widest domestic network and operations in 24 international destinations across 4 continents, works with several NGOs to carry out its CSR activities.

46 of the companies in our sample of work in collaboration with different government agencies for carrying out their CSR activities. For example, Essar Oil, which is a fully integrated oil company with refining capacity of 18 mmtpa in India and over 1,400 Essar-branded oil retail outlets across India.

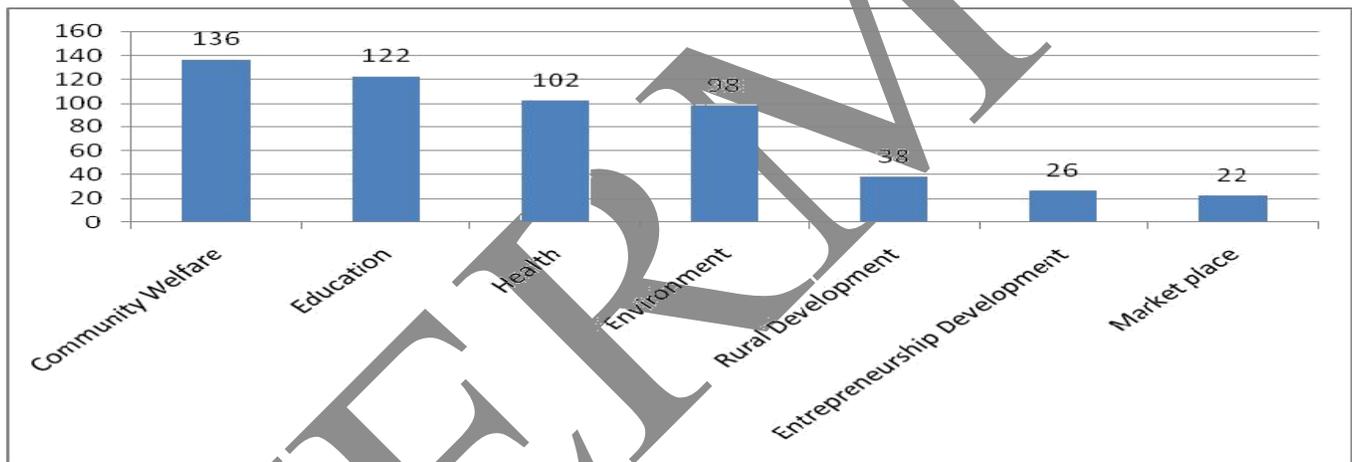
18 companies in our sample, were involved directly in CSR activities. For example, Havells India Limited, a \$1.3 billion and one of the top 5 lighting companies of the world provides mid-day meals to around 350 government schools in Alwar district of Rajasthan, covering 30,000 students per day (Havells, CSR initiatives, 2012).

12 companies, in our sample pursue their CSR by provisioning health care facilities for the backward sections of the society. For example, GlaxoSmithKline Pharmaceuticals Ltd. one of the oldest pharmaceuticals company in India having a turn over of Rs 26,990 mn, and employing over 3500 people has as a mission statement "to improve the quality of life by enabling people to do more, feel better and live longer".

10 companies in our sample maintains special funding for CSR activities and also keeps provisions of reserve funding for CSR for the next financial year so that the CSR plans and activities of the company can be planned and carried out strategically through out the year. For example, Oil and Natural Gas Limited (ONGC), emphasizes transformation of the organization from "Philanthropy" to "stakeholder participation".

10 companies in our sample also report to involve their employees directly to pursue its CSR activities with the local community members. For example, HCL Technologies Ltd., has a unique program named 'Power of one' that refers to every HCLite spending a day in the community and experiencing the power of giving.

2 companies, Ranbaxy Laboratories Ltd., and Educomp Solutions limited, out of 200 Indian companies, mention practicing public private partnership (PPP) as a model to carry out their CSR activities (Ranbaxy, Corporate Social Responsibility, 2012; India Can, CSR activities, 2012). These two examples of CSR through PPP model are contrasting, since Ranbaxy is an example of pure CSR, while Educomp resembles CSR via social entrepreneurship model. The **domain of the CSR Activities** of the 200 companies is given in chart 2.



**Chart 2: CSR activities (number of companies) practiced by Indian Corporations**

#### IMPLICATIONS OF THE STUDY:

It reveals that most companies in India engage with local communities near their area of operations, and the beneficiaries of CSR activities are generally the local population. The companies should try to develop scalable models of CSR that can be extended across the nation using local NGO's in each geographical area, a very helpful resource yet at a low cost. Scalable models will be helpful in expanding the socio-economic impact of CSR activities of the corporate. But taking a more holistic view of CSR is irreplaceable since currently, we observe that most firms have adopted the same sectors for CSR (e.g., healthcare, or education), and then they spend CSR budgets on a project to project basis (doing some health camps, adopting a village, building a road, maintaining a facility, and so on). An attempt to align the business strategy with CSR strategy will help firms to leverage their CSR expenditures. Therefore, we

suggest a directional change in perspective Indian Corporate take in planning and strategizing their CSR operations in India.

#### RECENT DEVELOPMENT IN INDIA REGARDING CSR:

According to the recently passed Companies Bill 2013(replacing 1956 Companies Act) CSR spends and reporting have been made more stringent. Clauses 134 and 135 specifies that companies with net worth more than ` 500 crores, or turnover more than `1000 crores, or net profit more than `5 crore are required to constitute a CSR committee to formulate CSR policy for the company. Companies now would have to spend a minimum of 2% of average net profit earned during preceding three years before formulation of the policy. Bulk of academic literature suggests that CSR done by organizations is largely self-serving, rather than being useful to society largely.

Given the above, we propose that it is important to devise a new measure for evaluating the effectiveness of firm's CSR so that the motivation for doing CSR does not remain only economic, but moves towards ethical/ideological imperative. Moreover, the new measure should not be input driven, but more output and process driven. Company bill-2013 lists the following activities that qualify as CSR initiatives:

- a) Poverty eradication
- b) Promotion of education, gender equality, and women empowerment
- c) Reducing child mortality and improving maternal health
- d) Combating AIDS/HIV, malaria, and other diseases
- e) Ensuring environmental sustainability
- f) Employment-enhancing vocational skills and social business projects
- g) Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities, and women.

Since companies are now mandated to stick to the above list of activities, we propose the use of CSR Impact Index to measure the effectiveness of firm's CSR if the activities carried out by the firms are not merely done for compliance, but created net positive socio-economic impact. Following normative guidelines should be used to measure CSR Impact Index (CSRII):

- a) Does the CSR activities carried out as per the recommendations of the firms' CSR committee and CSR policies?
- b) Do the local communities that are the targeted beneficiaries (TB) require these CSR activities?
- c) What forms of partnerships were developed or used for these CSR activities?
- d) What is the social impact of the CSR activities (on TB)?
- e) What is the economic impact of the CSR activities on TB?
- f) What is the ROI of the CSR activities?
- g) Is the CSR impact sustainable?

These normative guidelines are presented in form of an executable plan in Figure 1 below:

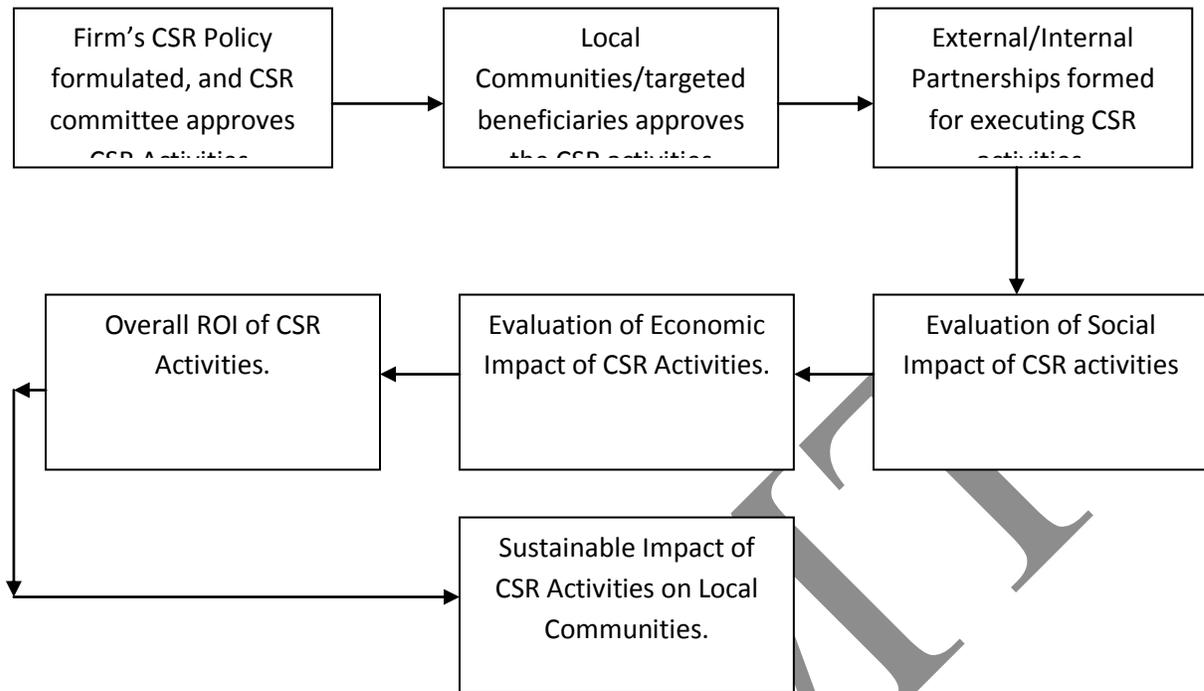


Figure 1: Planning and Executing CSR Impact Index.

**MEASUREMENT OF CSR'S SOCIAL IMPACT:**

We propose the following method to

measure the CSR's Social Impact:

- ✓ While **point 'a'** is internal to the firm, we propose that at-least 2 external parties, including one representing the TB, audit the remaining points in the above checklist.
- ✓ For **point 'b'**, we propose that survey of a representative sample of TB/local communities by NGO engaged with the firm for the CSR activities be carried out, and report shared as a public resource ( e.g., on firm's website).
- ✓ For **point 'c'**, we propose that a written report of the nature of partnerships, and value created and delivered by all partners be documented, and shared as a public resource.
- ✓ For **point 'd' i.e. Social impact index** = Net improvement in quality of life, and number of lives affected due to the nature of the CSR activity and based on the needs of the TB ( in terms of increase in awareness in social, economic, health, environment, education, political, and other areas of life etc).
- ✓ For **point 'e' i.e. Economic impact index** = Net improvement in incomes, wealth, savings, and assets, and number of lives affected, due to the nature of the CSR activity, and based on the needs of the TB( in terms of economic value created, income-generating assets created etc).
- ✓ For **point 'f' i.e. ROI** = (Net Social Value created for TB +Net Economic Value created for TB)/Financial Investment of the firm.
- ✓ For **point 'g'**, we suggest that ROI be calculated by external auditing firms every 6 months after the beginning of the project, until atleast after 5 years of the completion of the activities to ensure that the impact is sustainable, and was not short-lived.

### SCOPE FOR INDIAN CORPORATES DISCHARGING THEIR SOCIAL RESPONSIBILITIES:

CSR commitments and activities typically address aspects of a firm's behavior (including its policies and practices) with respect to such key elements as; health and safety, environmental protection, human rights, human resource management practices, corporate governance, community development, and consumer protection, labour protection, supplier relations, business ethics, and stakeholder rights.

The Indian Corporate needs to shift their focus beyond health and education schemes. Area for focus should include:

- A. Electricity Generation: India has a severe power shortage. There are several companies which already focus on CSR that can do a lot to change the situation by encouraging a model of decentralization and increased use of renewable resources.
- B. Environmental Pollution: Rivers, lakes and cities are polluted due to lack of regulation as well as high population. Encroachment on agricultural land and forest land is a common occurrence. This not only hinders biodiversity protection but also impacts human health. Education is not the only means by which awareness can spread. Companies should invest in holistic community building exercises with a strategic CSR focus that puts environmental initiatives in the fore-front.
- C. Biodiversity Protection: This of course falls in a 'beyond business' category of CSR but it is nevertheless important. Business operations that have minimal impact on biodiversity should be the new mantra for Indian business.
- D. Employee Engagement: This is the most important thing that Indian business misses out on. CSR initiatives for the most part do not have a trickle down effect to the people that really matter. Employees are brand ambassadors and change creators. Businesses must start galvanizing on this powerhouse of resource to better implement their CSR strategy. In addition to above mentioned areas Indian corporates should also pay their attention towards:
  - ✓ Reducing gender inequality which will ultimately decrease abortion of female child.
  - ✓ Creating more job opportunities.
  - ✓ Establishing training schools and conducting job-oriented courses.
  - ✓ Undertaking many social-awareness programmes.

**CONCLUSION:** The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of the society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept of Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do good and get self satisfaction in return as well as societal obligation of business. Finally, we also propose that to deter firms to leverage these CSR activities to their own benefit, the firms must show that their CSR activities are carried out in regions that are at-

least 500 kms. away from their regions of operations (manufacturing plant, offices, mining sites etc).

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