



A STUDY OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIA

Imran Ali*¹

¹Noida Institute of Engineering and Technology, Greater Noida, India.

ABSTRACT

The current economic scenario is not very encouraging as the business organizations are going through economic slowdown but Indian companies can enhance their goodwill by integrating CSR practices with core business strategies in order to improve operational efficiencies. Companies have realized that their decisions cannot be depend only on profit, companies have to take into account the environmental, demographic and social factors in mind while taking business decisions. This paper attempts to reveal organizational attitude towards various CSR practices. In this study, several findings have been identified by analyzing the different range of CSR policies, practices and activities of the companies. This study provides an evaluation of what is presently being done, and proposes several ways through which the business contribution could be enhanced in order to help more people in need. Corporate social responsibility can be stated as an integral organ of Indian business arena and hence it concluded that organizations have positive towards corporate social responsibility practices.

INTRODUCTION

Drastic changes in the world over the past 20 years have created new risks for modern managers, and new mediums of building value. Business has moved to centre stage, bringing many benefits but also catching the attention of critics. Companies' impact on the environment, and on society at large, can create risks which have an important impact on financial performance. It is in the interests of companies most obviously because there is a long list of companies who have faced contention over social, ethical or environmental issues: eg BP, Shell, Premier Oil, Pepsi co, Vedanta Group, Coal India Ltd., Ford, Nike, McDonald's, Balfour Beatty and GlaxoSmithKline. CSR is more important now than ever before because business plays an increasingly major role in modern society, at every level from the local community to the international stage.

Corporate responsibility has appeared in discussion rapidly since the mid-1990s. Companies have been quick to implement the guidelines by beginning to publish useful information for investors, but more is expected from smaller public companies and more attention is to be on what is material to each company, rather than general issues. Early attempts to measure the "business case" for corporate responsibility based on revenue and cost benefits. A confluence of corporate governance and socially responsible investing (SRI) has stimulated activity in financial markets. Managers are also collaborating for CSR in specific areas like climate change, rural development, health, community welfare, blood donation and education. Social,

cultural, demographic and technological changes have proven that social and environmental risks are now more important than in the past and more volatile.

Continued Growing awareness of the importance of corporate responsibility is a global trend, with notable developments in many markets like India, China, Australia, South Africa and the US. The European Union has taken a keen interest and created a Forum to advise on necessary action. It is accepted across the globe that the managerial decision-making process in business needs to take into account a wide range of criteria relating to the financial, environmental, demographic and social implications of business operations. Corporations look to their management teams to implement policies and practices that contribute to long-term responsible success of their enterprises and that fairly balance the competing claims of key stakeholders: investors, employees, customers, business partners, communities, vendors, and the environment.

Table 1: Stakeholders table for CSR

Stakeholders	CSR activities
Natural environment	<ul style="list-style-type: none"> • Judicious use of natural resources • Energy conservation • Abatement of polluting emissions • Waste management
Consumers	<ul style="list-style-type: none"> • Production of safe items and using biodegradable packages • Educating consumers on product use and disposal • Being truthful in advertising
Employees	<ul style="list-style-type: none"> • Providing fair compensation and benefits and safe work environment • Providing opportunities for personal and professional development • Having progressive human resource policies
Government agencies (local state and central government)	<ul style="list-style-type: none"> • Fulfilling obligations under regulations and statues of these agencies • Cooperating in planning and investigations • Coordinating administrative activities with these agencies
Community	<ul style="list-style-type: none"> • Providing economic stability • Safe guarding public safety • Protecting the environment • Aiding in development of social and cultural resources of the community
Media	<ul style="list-style-type: none"> • Being cooperative and truthful about issues that affect public welfare

Adapted from <http://www.ncert.nis.in/textbooks/XI/business-studies/chapter2.pdf>

Corporations want support of their management teams to implement policies and practices that contribute to long-lasting responsible success of their enterprises and that fairly balance the challenging claims of key stakeholders: investors, employees, customers, business partners, communities, and the environment. What are the values and benefits which can

motivate to behave socially responsible? The following table will make it clear that CSR has measurable benefits.

Table 2: Measurable benefits from CSR

Financial Benefits/Market Growth	<ul style="list-style-type: none"> ■ Innovation ■ Reduces operating costs ■ If no measurable results, greater susceptibility to budget cuts ■ Attracts investors ■ Fund raising becomes easy ■ Financial stability
PR Benefits	<ul style="list-style-type: none"> ■ Government Relations ■ Increases customer trust, ■ Access to partnerships, NGO collaborations ■ High awareness among consumers ■ Support of the local people
HR Benefits	<ul style="list-style-type: none"> ■ Improve labor market ■ Improve society, build teamwork and skills ■ Increase employee loyalty, pride, satisfaction (Pleasant working cilmate)
Marketing Benefits	<ul style="list-style-type: none"> ■ Brand Loyalty ■ High brand equity ■ New product launch success ■ Access to new market ■ Smooth distribution of products

Source: <http://www.abi.org.uk>

Unfortunately, this theory often remains disconnected from practical application: How will corporate leaders develop and implement these CSR practices and programs? How will corporate leaders motivate organizations to behave in a socially sustainable manner?

The concept of corporate social responsibility is not new; however it has evolved noticeably in the last few years since the phrase corporate social responsibility was coined in 1953 with the publication of ‘Social Responsibility of Businessmen’ by Howard R. Bowen.

The phrase has been in extensive use since the 1960’s and through the 70’s and 80’ discussion of the concept grew. Around the same time, multinational corporations also faced anti-corporate sentiments because of environmental and human rights issues. In fact, companies faced wide-ranging boycotts of their goods and services to force change.

Though primarily CSR was seen as the moral responsibility of corporate managers, it is now extensively being accepted as being in the long term interest of corporations. Organizations as well as consumers are realizing that companies have a responsibility not only to their shareholders, but also to stakeholders including their employees, consumers, suppliers, communities, legislators and the environment. CSR now represents an organizations

contribution to these stakeholders, the society at large and increasingly the global society in which they operate.

It was not easy to know the actual spending of CSR by various public and private companies since such information was not required to be maintained by companies and no provisions for CSR exists in the companies Act, 1956. But a change is expected to happen regarding CSR as new Companies Bill, 2012 has become law. Recently, it has been passed by parliament. Under Clause 135 of the new companies Bill, 2012, there is a provision of CSR that every company with net worth Of Rs. 500 crore or more, or a turnover of Rs. 1000 crore or more or a net profit of rupees five crore or more during any financial year, shall form a CSR Committee of the Board comprising of three or more Directors, including at least one Independent Director, to advise activities for CSR so that a company can spend at least 2 per cent of its average net profits of the previous three years on various CSR activities.

OBJECTIVES OF THE STUDY

- To identify the major trends of CSR practices in India.
- To measure organization's attitude towards CSR practices.
- To study the impact of CSR practices rural development.
- To understand the meaning and various models of CSR.
- To study the policies governing CSR in India.
- To study the challenges faced by CSR in India.
- To make suggestions for accelerating CSR initiatives.

LITERATURE REVIEW

The concept of corporate social performance was first coined by Sethi (1975), prolonged by Carroll (1979), and further developed by Wartick and Cochran (1985) . In three level model of Sethi's 1975, the term of corporate social performance was explained, and differentiation was made between various corporate behaviors. Three tiers given by Sethi's were 'social obligation, social responsibility and social responsiveness.

In the last decade, there has been a drastic change in the attitude of business organizations toward the concern of disadvantaged and deprived group of society. This change in the attitude of business organizations has been driven both internally by corporate will and externally by increased governmental and public expectations (Mohan, 2001). Large numbers of the people agreed with the argument that business cannot succeed in a society which fails. Michael porter had expressed the same view that business and society are interrelated. Success of one is dependent on the success of other. CSR practices must have both ethical and philosophical dimensions, mainly in India where there exists a wide gap between social and economic standards of the people (Bajpai, 2001).

Infosys founder, Narayan Murthy, said that social responsibility is concerned with creating maximum value for shareholders, stakeholders, workers, consumers, the community, government and the environment. The European Communities Commission 2001stated that socially responsible organizations not only means fulfilling legal expectations, but also going

beyond compliance and doing extra efforts for investing 'more' into human capital, the environment and the relation with stakeholders (Bajpai, 2001).

The concept of CSR emphasizes more on the relationship between business and society (Davis, 1988). The main theme of CSR practices is to deal, interact and relate with stakeholders with an ethical approach (Hopkins, 2003) that does not harm or hurt any stakeholder (Sethi, 1979; Carroll, 1979; Waddock, 2004; Andrews, 1971; Buchholz and Rosenthal, 2002; Wood, 1991; Jones, 2005). Whereas there is no yet universally accepted definition of corporate social responsibility, CSR usually refers to transparent business practices adopted by companies. Business practices of the firms should be based on ethical values, compliance with legal requirements, and respect for shareholder, people, communities, and the environment. Thus, companies need to work for social development and creating an image among people that organizations are not only working for profit but also for community development.

Friedman famously argued that business of the business is business. Few management experts believed that the sole responsibility of the organization is to create maximum value for its shareholders. There is only one social responsibility of business – to use its all resources and engage in activities that creates maximum value for its shareholders (Friedman, 1970). Fried agreed legal and ethical constraints on business activity, emphasizing that the organization should not harm or hurt society.

The philosophy of CSR in the 1950s was first and foremost based on an assumption of the obligation of Firms to society. This obligation arose more in discussion in the recent past because some researchers believed business as an instrument of society and managers as public trustees whose foremost job was to balance often competing demands of employees, customers, suppliers, communities and shareholders (Banerjee, 2007). Carroll (1991) has refined the definition of CSR by saying that businesses have four basic responsibilities to society: economic, legal, ethical, and discretionary.

The main philosophy of CSR is that the business sector should play a major role in non-economic activities in society than merely producing goods and making profits. CSR approach supposed from the organizations to go beyond its economic activities and increase the comfort of the community, thereby making the world a better place to live (Robins, 2005). The concept of CSR has got momentum in the business world. A large numbers of organizations today are trying to form a strategic link between their business activities and their social responsibility. Business organizations are trying to develop a model which will help them to serve social as well economic objectives (Bansal and Srivastava, 2008). Business organizations are vigorously involved in CSR practices through primary as well higher education, healthcare, women empowerment, children welfare rural development, donation/charity, environment protection, supporting civil society, protection of artistic and cultural heritage and disaster management, etc.

A research on iron ore mining industry in Goa indicates that many large mining companies have their own initiatives towards environmental and social development as part of CSR practices. However, a structured CSR policy and planning is missing particularly among the small and medium players in the industry (Conway, 2003). Arora and Puranik (2004)

analyzed contemporary CSR trends in India concluding that that large numbers of firms are in favour of CSR and agreed to give due place in overall corporate philosophy.

RESEARCH METHODOLOGY

The study is based on analysis of CSR practices of Indian companies. In order to achieve the aforesaid objectives research design adopted was descriptive in nature. For the purpose of research, secondary data was extracted from the different research articles, web sites, and annual reports of companies, books and banks. However the information available on the web sites of companies was important source of information for this study.

Corporate Social Responsibility Practices in Rural Areas

Majority of India’s population live in villages and these villages are in a state of neglect and underdevelopment. The problems of hunger, poor education, ignorance, employment opportunities, ill health, high mortality and poor infrastructure are most sharp in rural areas. This is not only because of shortage of financial resources but also because of defects in our planning, Process and investment pattern. India has the potential to grow and to meet these challenges in rural areas. However, the efforts of Governments may not be sufficient to fulfill basic needs of its citizens. The corporate sector has played a major role to play in ensuring private investment flows to rural areas that have been left out of the development process so far and also to work for sustainable development of rural areas in general. We have taken CSR practices of various companies from web page and have attempted to analyze the impact of these CSR practices on rural development.

Table 3: Details of CSR initiatives of Indian companies

Company	CSR Initiatives
Vedanta Alumni Ltd.	Capacity building
	Health awareness camps, computer education
	Child care centers, education to all children, computer education
	Environment protection
	Renovation of village schools
Aditya Birla Group	Employment generation schemes
	Health care, safe drinking water
	Education and training
Dr. Reddy’s Labs	Job oriented course to youth
	Hospitality services
	Education. Child rights program
Tata Steel	Enterprise promotion
	Material & child health, AIDS awareness, hospital on wheels
	Fellowship, coaching programs
	Land & water management, rain water harvesting
Lupin India	Construction of school, hospital, pump, tubewell
	Developing new skills, extension & infield training
	Family welfare, immunization, health camps, TB eradication
	Education for all, women empowerment
	Water management and conservation
	Schools, community facilities, low cost housing, training centres

ICICI Bank	Micro financial services
	Early child health, improve nutrition among women & children
	Universalization of elementary education
Ambuja Cement Ltd.	Capacity building, generation of alternative source of livelihood
	AIDS awareness camps
	Promotion of education
	Water management and conservation
Coca-cola India Inc	Education for children
	Sustainable water management
	Construction of dams, schools
Bharat Petroleum	SHG for income generation, mushroom cultivation
	Health camps, AIDS awareness camp
	Primary education, coaching
	Tree plantation
	Repair & maintenance of bore wells, schools, community centers
NTPC	Income generation
	Health care
	Education, Vocational training
SAIL	Training for income generation
	Blood donation, distribution of condoms
	Tree plantation
	Construction and repair of pucca roads, bore wells, hand pumps
Asian Paints	Immunization programmes for children
	Schools for rural children
	Improving infrastructure and sanitation facilities in local schools
Indian Oil	Income generation
	Health and family welfare, sanitation
	Promoting education
	Environmental protection
Satyam Computers	Income generation
	Health care
	Primary education
	Environmental protection
ITC	Primary education
	Livestock development
	Social forestry
Citi group	Women empowerment
	Rehabilitation
	Education
	Health

CONCLUSION

CSR has become an integral part of business world. Business organizations utilize resources of society and depend on these resources for its functioning. CSR practices contribute in terms of enhancing the welfare of society. Companies expect from society to purchase and consume their products and society expect from business organizations to discharge CSR activities. It has been observed that society and businesses has become more integrated and

success of one depend on another. Now, Companies cannot afford to ignore the concept of corporate social responsibility. Keeping in mind the current business requirements, companies would have to change their strategies. Their operations cannot be based on only for profit motive, factors like community development, environment protection and education will have high impact on organization's business philosophy. In the past few decades, we were fighting issues like labor laws, factory act and child labor. But it has been observed in the recent past, companies believe in maintaining healthy relationship with workers. Nowadays, companies want to achieve their business goal with the achievement of personal goals of workers. Companies are not only focusing on profit but also on consumer satisfaction, community development, rural development, climate change, women empowerment, blood donation, and education. Based on this study, it can be concluded that companies have positive attitude towards corporate social responsibility practices and want to conduct business in society in such a way that their business operations do not have any bad impact on society.

REFERENCES

- [1] Prabhakar R, Mishra S. The study of corporate social responsibility in Indian Organization: An-Introspection, Proceedings of 21st International Business Research Conference 10 - 11 June, 2013, Ryerson University, Toronto, Canada, ISBN: 978-1-922069-25-2.
- [2] Carroll AB. A three-dimensional conceptual model of corporate performance, *Academy of Management Review* 1979; 4(4): 497-505.
- [3] Kumar S, Singh R, Anushree. An Empirical Study on Corporate Social Responsibility Practices of Indian Public Sector Companies, *National Conference on Emerging Challenges for Sustainable Business* 2012; 440-460.
- [4] Pradhan S, Ranjan A. Corporate Social Responsibility in Rural Development Sector: Evidences From India, *School of Doctoral Studies (European Union) Journal* 2010; 139-147.
- [5] Robins F. Why corporate social responsibility should be popularized but not imposed, *Proceedings of the European Academy of Management Conference*, Munich, 2005.