



## CORPORATE SOCIAL RESPONSIBILITY AND INDIAN CORPORATE SECTOR

**Shachi Rai**

*Research Scholar, Centre for International Trade and Development, Jawaharlal Nehru University, New Delhi.*

### **Abstract**

Today the corporate have transformed themselves from production and employment unit to a more broad aspect of business i.e. working for the betterment of the society and its people. They are now measured in terms of their contributions towards the society and viewed as “Economic Units with A Social Touch” and the term that has evolved refers to “Corporate Social Responsibility”. This paper try to find out what entrepreneurs are doing for betterment of society in present days.

### **Objectives**

- To study the CSR initiatives taken by the corporate for poverty reduction and sustainability growth.
- To compare the CSR of Domestic firms.
- To analyse the applicability of the CSR for the developing country like India and how it is compatible.

### **Limitations**

The main limitation of this paper is that this study has only focused on a small sample of Indian firms. Secondly, information collected from print literature, websites of these companies and no primary data were collected directly from the stakeholders through interviews or surveys.

### **Methodology**

This study will be based on the secondary data that is available online i.e. the websites of the companies, data bank of the international organizations. The sample consists of 25 domestic companies. For the purpose of the analyses simple statistical tools have been used and representation made by pie chart, bar graph etc.

This paper is largely descriptive and analytical. It aims at identifying and comparing the various strategies that have been adopted by corporate sector in India.

**Keywords:** *Corporate, Society, Poverty, Sustainability.*

## **INTRODUCTION**

The most compelling challenge that the world is facing today is the reduction in the number of poor's for sustainable development. The Millennium Development Goals as laid down by United Nations aims at reducing the numbers of poor to half from its 1990 level by 2015. Although much has been achieved in this respect, the total number of poor across the world has nearly fell by half a billion from 1.3 billion to 900 million from 2005-2010, and it is expected that by 2015 it will be under 600 million. As per the World Bank report maximum reduction has taken place South Asia and the countries that have outperformed are India and China. Government of India adopted various measures to reduce poverty. The first dedicated effort was taken in the 5th plan, it was launched with the slogan of “Garibi Hatao Andolan”. Each plan since then had the special package for the poor in form of better health, education, environment etc. As a result, as per the NSS 68th Round poverty ratio came down from 37.2% to 21.9% of the total population.

Government alone cannot be expected to fight this evil alone and corporate are expected to play a lead role in the present setup. Moreover with the globalisation and liberalisation of the nation that started in 1991, as expected that it will increase the employment rate and help in the economic development of the nation but that did not happen.

Today the corporate have transformed themselves from production and employment unit the works for earning profits to a more broad aspect of business i.e. working for the betterment of the society and its people. They are now measured in terms of their contributions towards the society and viewed as “Economic Units with A Social Touch” and the term that has evolved refers to “Corporate Social Responsibility”.

## **EVOLUTION OF CSR IN INDIA**

According to “Altered Images: the 2001 State of Corporate Responsibility in India Poll”, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

Ethical Model (1930 –1950): One significant aspect of this model is the promotion of “trusteeship” that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic



development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

Statist Model (1950 –1970s): Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

Liberal Model (1970s –1990s): The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder Model (1990s – Present): The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfil. The model expects companies to perform according to “triple bottom line” approach. The businesses are also focusing on accountability and transparency through several mechanisms.

### CSR: Definition

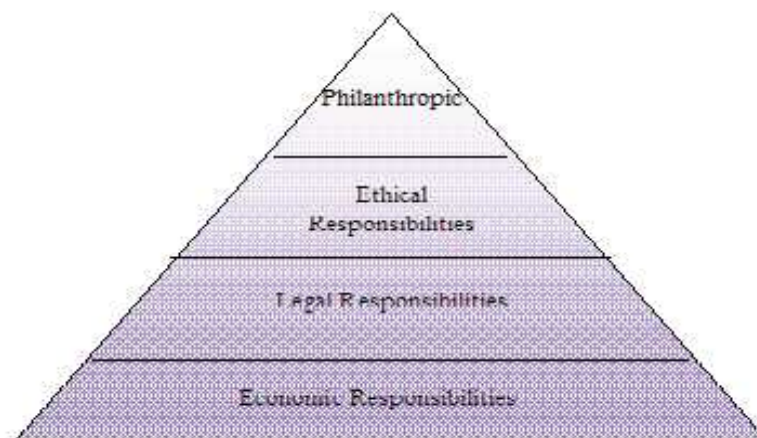
The totality of CSR can be best understood by three words: ‘corporate,’ ‘social,’ and ‘responsibility.’ In broad terms, CSR relates to responsibilities corporations have towards society within which they are based and operate, not denying the fact that the purview of CSR goes much beyond this. CSR is comprehended differently by different people.

Some perceive it to be a commitment of a company to manage its various roles in society, as producer, employer, customer and citizen in a responsible manner while for others it is synonymous to Corporate Responsibility (CR) or Corporate Citizenship or Social Action Programme (SAP). Of late, the term has also been started to link up with Triple Bottom Line Reporting (TBL) which essentially measures an enterprise’s performance against economic, social and environmental indicators.

Discourses on CSR suggest that many definitions of CSR exist within the business community, and CSR continues to be an evolving concept, with no single definition that is universally accepted. Given below are three key definitions that have garnered wide acceptance and favour amongst business circles:

Philip Kotler and Nancy Lee (2005) define CSR as “a commitment to improve community well being through discretionary business practices and contributions of corporate resources” whereas Mallen Baker refers to CSR as “a way companies manages the business processes to produce an overall positive impact on society.”

According to World Business Council for Sustainable Development “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.





Archie Carroll in 1991 describes CSR as a multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities.

Carroll presents these different responsibilities as consecutive layers within a pyramid, such that “true” social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established.

### **PRINCIPLES THAT UNDERLINE CSR**

CSR is a business imperative: Whether pursued as a voluntary corporate initiative or for legal compliance reasons, CSR will achieve its intended objectives only if businesses truly believe that CSR is beneficial to them.

CSR is a link to sustainable development: businesses feel that there is a need to integrate social, economic and environmental impact in their operation.

CSR is a way to manage business: CSR is not an optional add on to business, but it is about the way in which businesses are managed.

### **LITERATURE REVIEW AND CONTRIBUTION TO PRESENT KNOWLEDGE**

Most multinational corporations (MNCs) identify corporate social responsibility (CSR) as a business tool to promote a positive image to business stakeholders and as a way to improve the quality of life among citizens of the host countries.

The studies of Carroll(1999),WBCSD(2001), Holliday et al(2002), have shown that MNC are increasingly using the concept of CSR for involvement in poverty alleviation. Lokshin(2001), Peinado-Vara (2006), and Reddy (2007) have discussed social performance indicators for poverty alleviation initiatives, especially for developing nations. These studies claim that CSR from international business organisations may fail to give benefits to the poor and marginalized in developing countries. CSR is significant for almost all MNCs, regardless of country of origin, size and sector (Hopkins, 2003), a number of literature in CSR has been limited to large MNCs (Perrini, Russo & Tencati, 2007; Spence, Schmidpeter & Habisch, 2003). Blombäck and Wigren (2009) criticised academic researchers for their heavy inclination to follow the generic media which has published numerous stories based on its knowledge of large, listed and widely recognized MNCs. As such, it can be argued that the CSR movement would advance if different types of MNCs actively participated in various host country activities

Ite (2004) reveals that MNCs’ engagement in CSR activities has generally been reactive in developing countries, particularly in Asia, Africa and South America. These activities are a result of public pressure arising from MNCs’ operations related to issues such as health, education, human rights, pollution and workforce (Ite 2004). Previous studies (Rodriguez et al., 2006; Matten & Moon, 2008; Cruz & Pedrozo, 2009) have agreed that MNCs are in the middle of a public pressure debate, considering their social and environmental impact on many countries.

#### **There are studies that have focused on negative aspects:**

UNCTAD (2002) acknowledges that over-dependence on MNCs has its drawbacks. MNCs should establish backward linkages and be more embedded in local economies. ILO focuses on its “decent work” concept and sees low wages and vulnerable jobs as causes of poverty. Decent work (as described in its Declarations, see ILO, 2000) has the potential to empower the poor. Kolk and Tulder (2006) identify Guidelines for Poverty Reduction and indicate that lack of interest in long-term development, and the political and economic muscle of MNCs are seen as the main corporate influences on poverty. In response, guidelines have been drawn up to promote more foreign direct investment and build linkages with local economies. UNDP, WTO, World Bank, and IMF all have begun focusing more on the government level.

There are studies that have tried to find out managerial attitude to social responsibility. Khan and Atkinson (1987) The study of Pederson (2009) maintains that a thorough knowledge of how managers perceive their business role in society is a pre-condition for understanding current CSR practices and may ultimately help in bridging the gap between business and stakeholder expectations.

Some of the surveys like ‘Corporate involvement in social development in India’ by Partners In Change (PIC), ‘Altered Image: the 2001 State of Corporate Responsibility in India Poll’ by Tata Energy Research Institute (TERI), ‘Corporate Social Responsibility: Perceptions of Indian Business’ by Centre for Social Market (CSM), and ‘Corporate Social Responsibility



Survey, 2002, India presented jointly by the British Council, UNDP, Confederation of Indian Industries and Price Water house Coopers have also highlighted the emerging Indian participations in the CSR process. The findings of these surveys emphasized companies across India reveal that philanthropy is the most significant driver of CSR, followed by image building, employee morale and ethics respectively.

There are the studies that have focused on the issues that have to be taken up for designing CSR. Verma and Chauhan (2007) found that roads, pollution and power are the major concern of corporate. CSR activities as compared to least concern area which is communication and education. Another study by Dutta and Durgamohan (2009) found that education takes the first place followed by health and social cause. Similarly, a survey conducted by CSM (2001), the perception of companies towards various parameters of CSR has been brought forward. The various dimensions of CSR valued by companies are national wealth, employment, environment and social programme including health and literacy.

Thus from the above review it can be concluded that CSR as a subject has gained the immense attention of the corporate. Corporate are working hard to put the positive side of the business and works for the betterment of the society.

The reviewed literature also reveals that large number of studies and surveys have been conducted to show the importance of CSR for corporate and some studies have been done to find the thrust area of CSR. Some studies are country specific or company specific. Some studies have tried to find out the relation between CSR and poverty alleviation.

But till now none of the studies that have been done have compared the CSR domestics firms. Therefore the present study will prove to be a landmark in the field of CSR of domestic firms.

#### **OBJECTIVES**

1. To study the CSR initiatives that has been taken by the corporate all over the world.
2. To compare the CSR of MNC with that of Domestic firms.
3. To analyse the applicability the CSR of MNC for the developing country like India.

#### **METHODOLOGY**

This study will be based on the secondary data that is available online i.e. the websites of the companies, data bank of the international organizations. The sample consists of 25 domestics companies. For the purpose of the analyses simple statistical tools have been used and representation made by pie chart, bar graph etc. This paper is largely descriptive and analytical. It aims at identifying and comparing the various strategies that have been adopted by corporate sector in India.

**CSR- QUANTITATIVE ANALYSIS:**The Case Study quantitative analysis represents an objective overview of the corporate social responsibility trends in India based on the annual report, 2012-13. In total 100 annual report for the year 2012-13 were collected for the top 100 companies and 25 were randomly selected. Those selected were used as a base to deduce some directional pointers on the status of CSR and some trends in India. The analysis does not intend or aim to pass a qualitative judgement on any corporate initiative or how good or bad it is, but rather focuses on presenting a broad overview of implementing the CSR practices.

**THEMATIC AREAS:**Action in CSR in India largely spans a diverse set of thematic areas – health, education, livelihood, poverty alleviation, environment, water, housing, energy and microfinance. However some other areas like women empowerment, child development and infrastructure also appeared in the case studies.

Based on the comparative study of the 25 companies, it was found that while some companies chose to narrow their focus on a few thematic areas, others took a broader view and undertook a larger scope of areas to focus on.As per the appearance of the thematic area in the financial expenditure on CSR. Six areas have been identified and corporate are working towards achieving them.

**CSR AND PUBLIC RECOGNITION:** This is with respect to the award that the corporate has got with respect to the CSR initiative. Out of 25, only 6 corporate have been conferred with one or more awards for 2012-13.(Table 1.1). Maximum awards have been conferred to State Bank of India followed by ACC and NTPC.

**CSR AND SHARE IN PAT:** Out of the 25 corporate so selected only 12 corporate have reported share of expenses in total PAT of the companies. In percentage terms UltraTech has the maximum share in PAT with 2.63% followed by ACC, State



Bank of India, Mahindra and NTPC (Refer Table 1.2). In terms of total amount incurred on CSR State Bank of India tops the list followed by ITC and NTPC.

**CSR AND THEMATIC AREA:** Six thematic area (Table 1.3) have been identified with addition one addition to the special programme, this bring the total of area of operation to seven. Maximum attention is towards the health followed by education and livelihood programme. Area of least importance is women empowerment followed by building community infrastructure. With reference to special programme if any implemented by these corporate from the table it can be seen that on 14 corporate have dedicated programme for specific purpose (Table 1.4).

**CSR AND TOTAL ACTIVITIES UNDERTAKEN:** Out of the total of 7 activities only 4 corporate have taken all the activities whereas 2 corporates have taken only 3 activities and data for 2 are not available. Maximum number of representation is in 4 activities i.e. 7 followed by 6 in five activities and 4 in 6 and 7 activities respectively.

**LIMITATIONS:** The main limitation of this paper is that this study has only focused on a small sample of Indian corporations. Secondly, information collected only from annual reports and no primary data was collected or website were consulted.

## RESULTS

The preliminary findings reveals that, all the companies that have been selected are working directly or in collaboration with some NGO, for the betterment of the society and CSR has now been the integral part of their working. The thrust areas are education, health and environment.

The differences arises on the policy that corporate adopt does not suits the local conditions, secondly the issues that they have taken up are related with education, health and environment, although they help the poor but have no direct impact on the poverty. Thirdly their area of operation is very limited to the state where they have setup there plant.

## CONCLUSION

Corporate Social Responsibility is not a fad or a passing trend, it is a business imperative that many Indian companies are either beginning to think about or are engaging with in one way or another.

While some of these initiatives may be labeled as corporate citizenship by some organisations, there basic message and purpose is the same. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate values thereby integrating corporate responsibility across the business functions and enhancing business reputation. The challenge is to apply fundamental business principles to make CSR sharper, smarter, and focused on what really matters.

This can be done by:

- Focusing on priorities
- Allocating finance for treating CSR as an investment from which returns are expected
- Optimising available resources by ensuring that efforts are not duplicated and existing services are strengthened and supplemented
- Monitoring activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes
- Reporting performance in an open and transparent way so that all can celebrate progress and identify areas for further action.

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5. Annual Reports 2102-13 of the corporate so selected.



| Name                         | Awards  |
|------------------------------|---|
| ACC                          | Global CSR Excellence & Leadership (ACC Madukkarai-Envn.) |
|                              | Sustainable Business Practices                            |
|                              | Corporate Affairs Leadership                              |
| Apollo Tyres                 | Asia Responsible Entrepreneurship Awards                  |
| Ashok Leyland                | Information Not Available                                 |
| NTPC                         | FICCI Appreciation Plaque                                 |
|                              | Golden Peacock Award                                      |
|                              | Greentech Award   |
| Reliance Communications Ltd. | CSR Excellence Award                                      |
| SBI                          | Asia Best CSR Practice Award                              |
|                              | AsiaCSR Leadership Award                                  |
|                              | IPE BestCSR Award   |
|                              | Most Caring Company                                       |

Table 1.1: Awards in the field of CSR , Source: Annual Report 2012-13,

| Name                         | Total Spending(% of PAT) |             |
|------------------------------|--------------------------|-------------|
|                              | %                        | Amount      |
| ACC                          | 1.9                      | 25.51       |
| Apollo Tyres                 |                          |             |
| Ashok Leyland                |                          |             |
| Asian Paints                 | 0.09                     | 0.98        |
| Bajaj Auto                   |                          |             |
| Bharti Airtel                | 0.58                     |             |
| Chennai Petroleum            |                          | 391L        |
| Hero                         | 0.06                     | 13960887    |
| HP                           |                          | 21.76Crore  |
| ITC                          | 82.34                    |             |
| Mahindra                     | 1                        |             |
| Maruti                       |                          |             |
| NTPC                         | 0.75                     | 69.24       |
| PowerFinance Corporation     | 0.5                      | 15.29       |
| Reliance Communications Ltd. |                          |             |
| SAIL                         |                          |             |
| SBI                          | 1-Target                 | 123Cr       |
| Tata Communication           |                          | 2crore      |
| Ultra Tech                   | 2.63                     | 58.39       |
| Wipro                        | 0.25                     | 160 Mn      |
| Central Bank of India        |                          | 2,08,14,990 |

Table 1.2: Amount spend on CSR , Source: Annual Report 2013-13,



| Name                         | Activities                |        |        |        |     |     |
|------------------------------|---------------------------|--------|--------|--------|-----|-----|
|                              | E & L                     | LE & I | H & SP | E & WM | CEP | BCI |
| ACC                          | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| Apollo Tyres                 | No                        | No     | Yes    | Yes    | Yes | No  |
| Ashok Leyland                | Information Not Available |        |        |        |     |     |
| Asian Paints                 | Yes                       | No     | Yes    | No     | Yes | Yes |
| Bajaj Auto                   | Yes                       | No     | Yes    | No     | No  | No  |
| Bharti Airtel                | Yes                       | No     | Yes    | No     | Yes | No  |
| Chennai Petroleum            | Yes                       | Yes    | Yes    | No     | Yes | No  |
| Essar oil                    | Yes                       | No     | Yes    | No     | Yes | No  |
| Future Retail                | Yes                       | Yes    | Yes    | No     | No  | Yes |
| HDFC                         | Yes                       | Yes    | Yes    | No     | Yes | No  |
| Hero                         | Yes                       | Yes    | Yes    | No     | No  | Yes |
| HP                           | Yes                       | Yes    | Yes    | No     | No  | No  |
| Idea Cellular                | Yes                       | No     | Yes    | No     | Yes | Yes |
| ITC                          | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| Mahindra                     | Yes                       | Yes    | No     | No     | No  | No  |
| Maruti                       | Information not Available |        |        |        |     |     |
| NTPC                         | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| Power Finance Corporation    | No                        | Yes    | Yes    | No     | Yes | Yes |
| Reliance Communications Ltd. | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| SAIL                         | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| SBI                          | Yes                       | Yes    | Yes    | Yes    | Yes | Yes |
| Tata Communication           | Yes                       | Yes    | Yes    | No     | Yes | No  |
| Ultra Tech                   | Yes                       | Yes    | Yes    | Yes    | No  | Yes |
| Wipeo                        | Yes                       | Yes    | Yes    | No     | Yes | Yes |
| Central Bank of India        | Yes                       | Yes    | Yes    | No     | Yes | Yes |

Table 1.3: Activities undertaken Under CSR Initiative Source: Annual Report 2012-13

| Name              | Special Prog.                           |
|-------------------|---|
| Apollo Tyres      | HIV AIDS                                |
| Asian Paints      | Rain Water Harvesting-TWMC              |
| Bajaj Auto        | HIV AIDS                                |
| Bharti Airtel     | Disaster Relief Initiatives             |
| Chennai Petroleum | Physically Challenged People            |
| Essar oil         | Foddr Assistance Programme              |
| HDFC              | Financial Litrecal & Galli School-Delhi |
| Idea Cellular     | Behtar Zindagi                          |



|                              |                                 |
|------------------------------|---------------------------------|
| ITC                          | Livestock Development Programme |
| Mahindra                     | Nanhi Kali                      |
| PowerFinance Corporation     | Relief Capms                    |
| Reliance Communications Ltd. | Multi-Dimensional Policies      |
| SAIL                         | Multi-Dimensional Policies      |
| SBI                          | All fields are covered          |
| Ultra Tech                   | Social Cause                    |
| Central Bank of India        | Multi-Dimensional Policies      |

Table 1.4: Special Prog. Launched under CSR Source: Annual Report 2013-13

| Name                         | Activities Undertaken(7) |
|------------------------------|--------------------------|
| ITC                          | 7                        |
| Reliance Communications Ltd. | 7                        |
| SAIL                         | 7                        |
| SBI                          | 7                        |
| ACC                          | 6                        |
| NTPC                         | 6                        |
| Ultra Tech                   | 6                        |
| Central Bank of India        | 6                        |
| Asian Paints                 | 5                        |
| Chennai Petroleum            | 5                        |
| HDFC                         | 5                        |
| Idea Cellular                | 5                        |
| PowerFinance Corporation     | 5                        |
| Wipro                        | 5                        |
| Apollo Tires                 | 4                        |
| Bharti Airtel                | 4                        |
| Essar oil                    | 4                        |
| Future Retail                | 4                        |
| Hero                         | 4                        |
| Mahindra                     | 4                        |
| Tata Communication           | 4                        |
| Bajaj Auto                   | 3                        |
| HP                           | 3                        |
| Ashok Leyland                | NA                       |
| Maruti                       |                          |

Table 1.5: Activities Undertaken by Corporates