CSR IN THE INDIAN SCENARIO

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Abstract: **Globally, there is growing concern about the impact of business on environment and society. It is not enough for businesses to get financial returns only; they need to get social returns also. Financial performance alone is not the indicator of success for a business today. Important indicator of sustainable development of economy is measuring the performance of businesses in terms of what impact their operations have had on environment, society and government. Corporate social responsibility or CSR is a process to ensure businesses are conducting sustainable business activities in a manner that has a positive impact on consumers, employees, communities, general public and the environment. An increasing number of companies have started promoting their businesses by applying CSR strategies because the customers, the public and the investors expect the business people to do business in a sustainable and responsible manner. Also the governments of various countries want the business units to include CSR in their vision, mission and in their strategic plans. They want corporations to implement CSR initiatives which would bring about overall development of society and their businesses. Through these CSR initiatives, government wants to bring about rural development too. So, Corporate Social responsibility (CSR) is basically a concept which corporates voluntarily adopt in order to achieve a better society and cleaner environment. This article deals with what is CSR, its evolution in India, the benefits of CSR, the current CSR practices of eminent Indian companies and the deceptive claims companies make of being good corporate citizens.**

Keywords: **Corporate social responsibility, Sustainable development, CSR practices, social returns.**

1. INTRODUCTION

Corporate Social Responsibility is also referred to as corporate conscience, corporate citizenship, Sustainable Responsible business or simply as responsible business. CSR is nothing but a self-regulatory mechanism adopted by corporates to ensure that all its business activities are according to law, follow ethical standards and international norms. CSR is not about environment conservation or about having a recycling policy. It is a procedure where corporates learn to respect legislative laws, moral values, people, communities and the natural environment. To assess and ensure that their day to day operations have a positive impact on communities, cultures, societies and the environments in which they operate.

According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders"

World Business Council for Sustainable Development defines CSR as "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 the local community and society at large" According to CSR Asia, "CSR is a company's commitment

World Bank Group states that "CSR is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development."

2. LITERATURE REVIEW

Post liberalization and globalization, India's economy has grown in leaps and bounds and various industrial sectors have achieved rapid growth. So, CSR has become an important field to research upon. Various studies have been undertaken by researchers both in India and abroad.

Khan and Atkinson (1987), have done a study on managerial attitudes to social responsibility in India and Britain. The study states that most of the Indian executives believe CSR is relevant to business and feel that businesses have responsibilities towards other stakeholders also like customers, suppliers, society, the country and not only to the shareholders and employees.

Caroll (1998) did a study on the top 500 largest Indian companies and found that around 49% of the companies were reporting on CSR. They reported on various CSR activities like doing donations, school renovations in villages, mid-day meals etc. Some of the companies have stated their expenditure on CSR. Most of the companies were doing CSR activities for neighbourhood areas and for society. Around 25% of the companies were doing CSR activities for their employees. The study also revealed, many of the companies were making deceptive claims of doing CSR by making donations to charitable trusts or NGOs, sponsoring events etc. Such companies believed philanthropic acts are equal to CSR. **TERI-Europe and ORG-MARG** (2001) did a survey in many Indian cities and found that more than 60% of the people were of the opinion that companies should be more responsible in reducing the gap between the rich and the poor, in reducing human rights abuses, in solving social problems and in making the economy more stable. In his study of the iron ore mining industry in Goa, **Conway** (2003) stated that many of the large mining companies implemented their own initiatives towards environmental protection and social development. But many of the small and medium companies lacked a proper structured policy and planning of CSR. **Chamhuri Siwar and Siti Haslina Md.Harizan (2004)** did a study of CSR practices in Malaysian business organizations. They selected 500 companies, which comprised of 25 Govt. linked corporations, 50 multinational corporations, 50 corporations, 50 other Malaysian corporations and 375 small and medium scale companies. The study found that multinational companies brought more benefits to society in terms of employment generation, skill development and through various community initiatives. Also the study found that small and medium scale companies also played an important role in supporting various CSR practices. **Arora and Puranik** (2004) in their study of the contemporary CSR trends in India, found that most of the Indian corporates have benefitted from liberalization and privatization process in India. They have undergone transition from philanthropy to CSR but are lagging behind in rapid financial growth. In their paper titled "A study of Corporate Social Responsiveness" **D.Y. Chacharkar and A. V. Shukla** (2004) stated that benefit of CSR through "iceberg effect" diagram. Just like the iceberg, large part of the CSR initiatives of a company is invisible to the company like publicity, image building, expanding customer base and profit. The only aspect visible to the company is the appreciation and recognition they receive for taking up CSR initiatives. **R.S. Raman** (2006), in his study on "Corporate Social Reporting in India-a view from the top" took the annual reports of 50 Indian companies and examined chairman's messages by using the content analysis technique to identify the nature of social reporting. He found that Indian companies place more importance on product improvement and in development of human resources.

Samuel Odowu and Papasoplomou Loanna (2007) did a study on twenty UK companies. They concluded that UK companies had become more ethical and socially responsible by disclosing their CSR in order to get public benefits, to get government requests and to provide information to stakeholders. They believed that stakeholders of the twenty first century are more educated and aware unlike in the past. **Vasanthi Srinivasan (2010)** did a study on CSR and Ethics in Medium, Small and Micro enterprises in India. He studied the existing academic and popular Indian literature to identify responsible CSR practices in small-medium companies. The study highlighted that most of the studies done in India have been qualitative and exploratory in nature. The study revealed that small-medium companies are spread out geographically in India and contribute significantly to the economy. The author stated that for a balanced development, companies need to adopt CSR and ethical practices. Not much academic research has been done in this area and the author suggests that a study on the intra country similarities and difficulties in adoption of CSR practices in small and medium companies would be useful for policy makers. "Government as a driver of Corporate

Social Responsibility" is paper written by **Jermy Moon** in which he studied the role of government in driving social responsibility among the corporates. This study also examined the role of governments in other countries and how they were drivers of CSR in business. **Shashank Shah and Sudhir Bhaskar** (2010) did a case study of Bharat Petroleum Corporation Ltd. (an Indian Public Sector Organization). They pointed out in their study that BPCL was taking up a lot of initiatives to provide services to the society. The relationship between the organization and the society is broad and trustful by nature. **Debabrata Chatterjee** (2010) in his paper titled "Corporate Governance and CSR" analysed the corporate governance practices of 3 prominent Indian companies Infosys Technologies Ltd., ITC Ltd., and Reliance Industries Ltd. **Sanjay Pradhan and Akhilesh Ranjan (**2010) did a paper on CSR in the rural development area. Their paper drew the following conclusions that social responsibility is considered important by Indian companies regardless of their size, sector and business goals. The surveyed companies were showing themselves as having a CSR policy and

practices. These companies implemented their CSR initiatives in nearby communities. Their CSR initiatives were included health camps, income generation activities for livelihood, mobile health services, adult literacy, education, agricultural development, providing drinking water, managing and developing natural resources and also infrastructural developments. **Monika Hartman** (2011) did an article "CSR in the food Sector" whereby she analyses about CSR in the food sector. Particularly, she surveyed companies having a high brand. The study said SMEs are not capable of carrying out their CSR initiatives. The study stated that food companies always try to improve the quality of their services and moreover, customers prefer those food brands which are giving importance to CSR activities. **Mallen Baker** (2012) has written an interesting article on the "Four emerging trends in Corporate Responsibility". He has written that three basic things in CSR trends have changed over the last many years. First thing is that the relationship between business and society has changed because of the social and environmental problems prevailing in the world today. Second thing is the developmental strategies of businessmen have affected society a lot. Their new ideas, concepts and developments included CSR and was reflected in their products and services. Third thing is outside agencies, the firm's goals all bring about changes in CSR. **Bibhu Prasad and Mohanty** (2012) made a study on "Sustainable Development Vis-à-vis Actual CSR". The findings of the study stated that today companies investing more in child labour, education, ground water, food etc. But companies are not really aware of the essential needs of the poor. The study also found that even though profit sharing is a natural fact for companies, CSR is beyond the natural and statutory obligation of companies. The study concludes that Sustainable development aids in balanced development of both society and company. **Harish Kumar** (2012) in his research article entitled "CSR Revisited". He has pointed out in his article that companies have adopted four different approaches to CSR. The four approaches are Good Governance, Ruinous CSR, Discretionary CSR and Illusion CSR. He has also pointed out the arguments for and against CSR. The researcher has also stated that eight factors are the CSR drivers. Which are Philanthropic Attitude, Governmental Actions, Environmental Concerns, Ethical Consumerism, Crises and Calamities, Globalization and Market force, Social Awareness & Education, and Social Expectation.

Dr. M. Ramana Kumar (2013) did a study on CSR (Analysis of select Indian Private and Public sector companies). He analysed the CSR activities of both private sector and public sector companies. In the private sector he analysed the CSR activities of Reliance Industries Ltd. And in public sector he analysed the CSR activities of ONGC. He has also studied the Indian government's policies and programmes of CSR. Dr. Ramana's study revealed that even though companies were making efforts of doing CSR, a lot more needs to be done. The study also found a significant difference in the CSR practices of both companies. CSR budget of ONGC was more than that of RIL in 2010, 2011 and 2012. The average score of ONGC is more than that of RIL from 2009 to 2013.

3. EVOLUTION OF CSR IN INDIA

CSR is not a new concept in India. Some large corporate like Tata group, Birla group and Indian Oil Corporation have been engaged in community improvement programs. Through donations and charity programs they have been doing their bit for society. The basic objective of CSR those days was to maximize company's goodwill and reputation. Corporate philanthropy was the term used for CSR wherein traditions, culture, religions and family values strongly influenced corporate philanthropy.

India has one of the richest traditions of CSR. Indian entrepreneurs are supposed to set clear objectives and conduct and report their performance in a transparent manner. But CSR has not yet received widespread recognition. In recent years, Indian companies are beginning to realize that CSR is not just another indirect expense, but is essential in the present scenario to defend them against competition, to protect their goodwill and reputation and to remain competitive.

CSR aims at sustainable development and mainly revolves around four pillars – first pillar is concern for employees at the work place, second pillar is concern for customers in the market place, third pillar is concern for the society in general and last pillar is concern for the environment.

The evolution of Responsibility:

1970s – Shareholders were important.

1980s – Philanthropy was given importance.

Early1990s – corporate governance started.

Late 1990s – stakeholders actively engaged.

Early 2000s – corporate accountability arose.

Nowadays, companies practicing CSR have specialized teams that formulate policies, strategies and goals for their CSR programs and have budgets to fund them. These programs are determined by the social obligations of the business and have well defined clear objectives. Employees are the people who implement these programs and ensure success of these programs. The common CSR programs taken up by corporates are mainly in community development, education, and healthcare and in environment development and conservation.

A CSR practice impels organizations to not only follow legislations but also leads them to respect moral values, people, communities and the natural environment. It guides the corporates to engage in only sustainable business activities which will not negatively affect their business goals.

Corporations like Bharat Petroleum limited, Maruti Suzuki India Limited and Hindustan Unilever Limited have provided improved medical and sanitation facilities, build schools and houses and have also provided vocational training to villagers thereby making them self-reliant.

Many such corporations today are helping the less fortunate by providing them a better standard of living. The main onus of achieving responsible business behavior lies with the leadership and management of businesses. Their main aim is to build trust not only among the four pillars of CSR but also among the stakeholders.

4. THE BENEFITS OF CSR

The benefits of CSR are many fold and the prominent ones are:

- Stronger financial performance and profitability through efficient operations.

- Improved relations with the investment community and better access to capital

- Enhanced employee relations that yield better results respecting recruitment, motivation,

- Retention, learning and innovation, and productivity

- Stronger relationships with communities and enhanced license to operate

- Improved reputation and branding

Stronger financial performance and profitability through efficient operations:

Businesses can use CSR and corporate sustainability to produce direct benefits. Operational efficiencies can be achieved by reducing energy usage and by reducing material inputs. Waste generation can be reduced and materials can be recycled. Such eco-friendly measures can be beneficial to environment and also provide economic benefits to companies. Operational efficiencies also help in streamlining information provided to investment community and to other stakeholders, leading to transparent operations. CSR tools help companies to manage risk and liabilities more effectively thereby reducing costs. Considering corporate responsibility and sustainability in business decision making not only reduces costs but also helps to easily tap new market opportunities. That is when new manufacturing processes are developed it can be expanded to other plants, regions or markets.

Improved relations with the investment community and better access to capital:

There is growing evidence amongst indices like Dow Jones Group Sustainability Index (DJGSI) and the Jantzi Social Index that companies that follow CSR generally outperform those competitors who do not apply CSR practices. This has led to creation of funds such as Socially Responsible Investment, Domini Social Equity Fund etc. Large numbers of mutual funds are now considering CSR criteria when screening those businesses that do not meet environmental standards. So, a CSR approach not only improves the stature of the company, its stock market value but also its ability to access capital.

Enhanced Employee Relations, Productivity and Innovation:

A key benefit of CSR initiative is that it increases the commitment and motivation of employees to become more innovative and productive. There is increased loyalty and commitment amongst employees. This condition not only help to recruit and retain employees, motivate them to develop skills and also encourages them to pursue advanced learning so as to find new innovative ways of reducing costs and to also take advantage of new opportunities for maximizing benefits.

Stronger Relations within Communities through Stakeholder Engagement:

CSR helps the companies to collaborate with their stakeholders including shareholders, employees, debt holders, suppliers, customers, communities, non-governmental organizations and governments. Open dialogue is maintained, effective partnerships are formed and transparency is maintained in operations between stakeholders and the companies. The relationship between the business and the community becomes more credible and trustworthy. This is a very important benefit for companies because it increases their "license to operate "for a longer term as they get support from the community too.

Improved reputation and Branding:

This is a potential benefit of CSR, which helps a company to improve its reputation and branding. This helps the company to remain effective for the longer term, attract more of new customers and increase their market share. It also enables the company to position itself in the marketplace as a company that is more responsible and sustainable than its competitors.

CSR as a form of investment:

Business can also view CSR as a form of investment, which would help to differentiate the company and its goods and services. In order to develop CSR initiatives, firms can invest in areas like human resource management, environmental protection, health and safety, community development etc. CSR is intangible and less quantifiable, so firms should consider various factors and parameters and also the anticipated costs and benefits from the investment.

Examples of Indian Companies engaging in successful CSR practices:

Foremost example of a company being a consistent exceptional good corporate citizen is the Tata group. The other benchmark company is the IT Corporation and Infosys.

The Tata group:

The Tata group is engaged in a range of CSR projects. These are mainly community improvement programs where Tata is the leading provider of maternal and child health services, family planning and has provided nearly cent per cent immunization in Jamshedpur. The group has promoted sports in a big way by establishing football, archery academies and encourages its employees to take up sports. It also provides rural health development services all over the country.

During the time of natural disasters, Tata group has done exceptional relief work. During Gujarat earthquakes and Orissa floods it has undertaken rebuilding efforts and has provided long-term treatment to victims. It has supported education by constructing over 500 schools and has promoted arts and culture. It has also improved the environment and the local population around their industries.

Infosys Technologies Ltd –

The Infosys Foundation started working in Karnataka for the underprivileged people. Gradually, it extended its activities to the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab. Its activities include building hospital wards, donating hi-tech equipment, organizing health camps and also distributing medicines to the poorest of the poor. Infosys has been organizing a unique annual mela in various areas like Bangalore, Sedam in Karnataka and in Chennai in Tamil Nadu. In these melas, Infosys has distributed sewing machines, helped rural students etc. Its 'Library for Every Rural School' project is considered one of the largest rural education programs in the country, wherein it has donated more than 10,200 sets of books in Karnataka alone. Also, the foundation has donated books in other states of Andhra Pradesh, Orissa and Kerala etc. It has set up more than 10,150 libraries in rural government schools with a minimum of 200 books per school.

The Foundation has also promoted the arts and culture by reviving the art of the weavers of Pochampalli village in Andhra Pradesh, has organized cultural programs to promote the rural artists of Karnataka and Andhra Pradesh. It also organizes cultural events like puppet shows, honors artists and provides them financial assistance too. These programs have greatly helped the poor rural artisans to carry on their art.

Intel Technology India Pvt Ltd.-

Intel in 2002 launched a program known as 'Involved in the Community' as a small-scale employee initiative. It focused on activities like tree planting and blood donation drives. By 2004, the company had got involved in many team

volunteering activities in the areas of education, technology inclusion and health. Some of their key initiatives are Centre for Economic Empowerment of Intellectually Challenged (CEEIC) in collaboration with AMBA, a local NGO which are known as 'AMBACEEIC'. Through this center, Intel provides computer training to intellectually-challenged persons. The Centre also helps in placing the participants in various companies so that they can earn a regular income. Some of their latest events are **ILADKADI '10, which** is a program to showcase the brilliance of intellectually challenged persons pan-India and overseas in the field of arts, music and dance. Intel has also set up HIV/AIDS Awareness Program in partnership with NGOs. Their HIV/AIDS peer education program along with voluntary counseling and testing agencies which has touched the lives of more than 20,000 youngsters in Bangalore. Intel also considers environment conservation to be a serious issue and celebrates Global Earth Day, World Environment Day and the Environment Research Contest. Intel employees have planted and nurtured thousands of trees in and around Bangalore and their project "Intel for a Better Bannerghatta" has made the biological park become plastic and litter-free and setting up of information kiosks has provided learning to the local community. Intel India and the Children's Love Castle (CLT) India joined together to harvest rainwater in the water-scarce village of Kurubarakunte in Karbarakunte. Intel employees have constructed 15 rain water harvesting tanks; build three solid waste management units, planted trees and conducted awareness program on segregation of waste and health and hygiene in the village. In partnership with TERI (The Energy and Resources Institute), Intel is currently carrying out a solid waste management program at Annasandrapalya, Bangalore. Purpose is to handle the solid waste generated in the area in a safe and effective manner.

The Great Place to Work Institute has been assessing the world's best companies in over 40 countries since 1980 and honors recipients according to its employee's scores against certain criteria like credibility, respect, fairness, pride, and camaraderie. The 2013 edition is the tenth study in India, which received overwhelming response from more than 400 companies; making it the largest, such study in India.

According to their survey, the companies leading the way forward with their Corporate Social Responsibility (CSR) initiatives are Google India Pvt. Ltd**.** Forbes Marshall Pvt. Ltd., Intel Technology India Pvt Ltd, American Express India and NIIT Ltd.

Deceptive Claims of Businesses:

As, the business world is increasing following the mantra of green products and services. Some businesses are making misleading claims of being eco-friendly. This is popularly known as "Green washing" which merges the concepts of "green" (environmentally sound) and "whitewashing" (to cover up wrong doing). This leads to a misleading perception amongst consumers that the company policies, products and services are based on the principle of green marketing. "Eco-friendly," "organic," "natural and "green" are some of the misleading labels used widely today.

5. CONCLUSION

When the one of the richest man in the world speaks, everyone pays attention. In 2002, Bill Gates told the World Economic Forum, "We need a discussion about whether the rich world is giving back what it should to the developing world." Companies have attempted to "give back" through global corporate social responsibility (CSR) initiatives. Some 5200 companies have promised to follow global norms on transparency, accountability, human rights, labor law and the environment. In India, many companies have taken up sincere initiatives. However, they still need to go a long way in taking up CSR as part of their organizational strategies. India, has become the world's first country to make corporate social responsibility mandatory as on December 18th, 2012 The Companies Bill of 2011 was passed by the Lok sabha. New concepts of CSR were introduced. Spend on CSR has been made compulsory for certain companies. Profitable companies have to spend at least two percent of their three-year average profit on CSR in a year. The new Companies Act 2013 came into effect from April 1, 2014. This makes India the only country with legislated CSR. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders' objectives.

In short, sincere CSR initiatives would translate into Lower costs plus Happy employees plus Happy customers plus Happy business partners plus a Healthier environment and of course lead to more profits.

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