

CORPORATE SOCIAL RESPONSIBILITY IN INDIA – A BUSINESS IMPERATIVE

Neha,

Faculty of Commerce, P.I.G. G.C.W. JIND.

ABSTRACT

In a developing economy like India, Corporate Social Responsibility (CSR) plays an important role in organizations. In Indian industry one can easily notice a paradigm shift from corporate philanthropist to being socially responsible. CSR is not new to India; companies like TATA and BIRLA have been emphasizing the case for social good in their operations for decades long before CSR become a popular cause. But, CSR in India is in a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. To promote CSR Companies act, 2013 made it mandatory for all profit making public companies to spend atleast 2% of last 3 years average net profits on CSR activities and this would certainly prove to be beneficial for social development. Today, many big Indian Corporations are performing CSR activities. The private sector is more active than the government sector in this area because companies have to make their way at their own in order to be successful. Indian companies are facing increased pressure for transparency and accountability, from various stakeholders i.e. employees, customers, shareholders, media and civil society. Business does not operate in isolation. Today there is an increased realization that not only can companies affect society at large, but they are also in a unique position to influence society and make positive impact. Thus CSR is coming out of the purview of 'doing social good' and is fast becoming a 'business necessity'. This paper tries to highlight the development of CSR, importance and some major initiatives taken by Indian pioneers along with some guidance regarding implementation of CSR programmes.

Key words: CSR, development, pioneers, benefits.

INTRODUCTION

Over the past few years CSR, as a concept, has been the focus of many discussions and research. It captures a range of values and criteria for measuring a company's contribution to social development. CSR not only includes the activities that a company undertakes in order to utilize their profit to enable social and environmental development, but also includes the methods that a company employs in order to earn these profits including socially responsible investments, and transparency to various stakeholders among others. Realizing the importance and the long term benefit of being socially responsible many companies have incorporated socially responsible business practices. The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders while considering environment and overall sustainability. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

- Corporate – means organized business
- Social – means everything dealing with the people
- Responsibility – means accountability between the two

Corporate Social Responsibility:

“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”.

- Exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders
- Denotes the responsibility of an organization towards the environment and society in which it operates.

“Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy, which factors the needs of the community and the regions in which a corporate entity functions.” --- Dr. Manmohan Singh, Previous Prime Minister

What is Triple Bottom Line? :

Business houses and corporate have been taking up social welfare activities from time to time. Recently, priority of business is getting widened from 1 P to 3 Ps by inclusion of People and Planet with Profit.

- People - Relates to fair and beneficial business practices
- Planet - Refers to sustainable environmental practices
- Profit - Is the economic value created by the organization after deducting the cost of all inputs

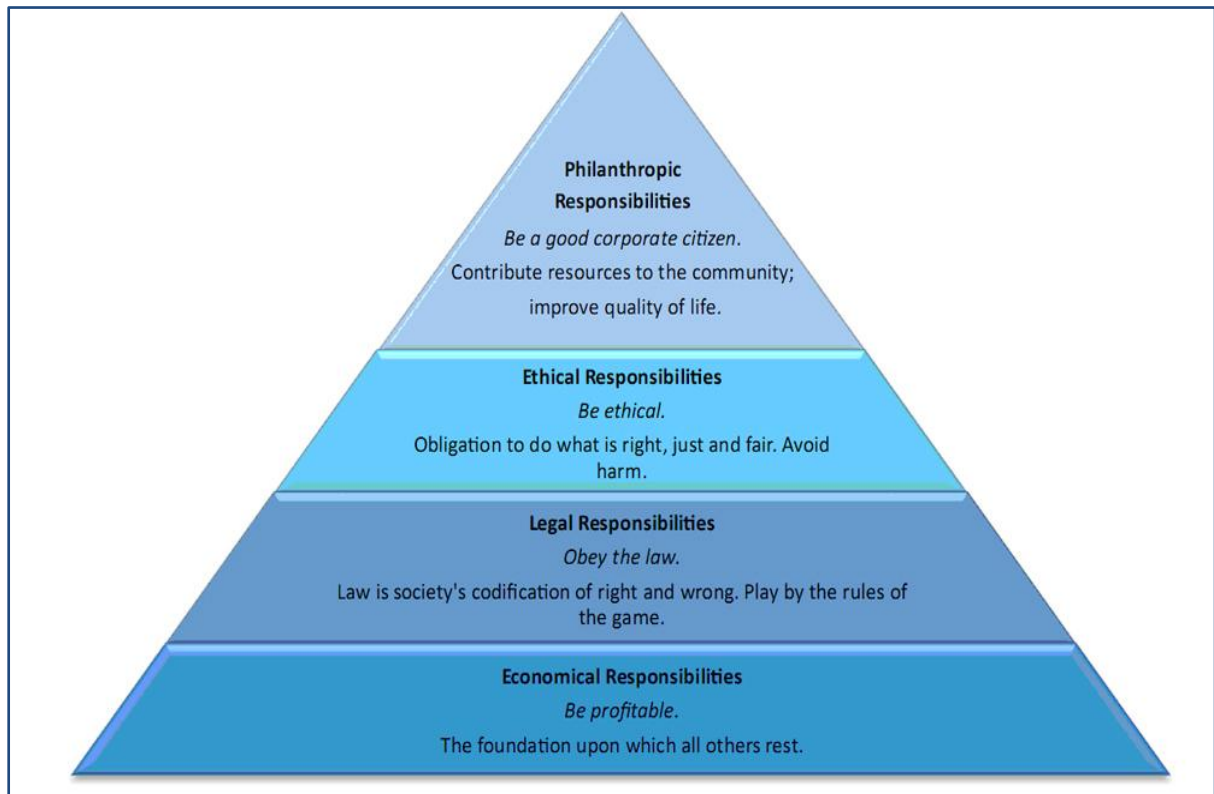
Objectives of The Study:

- To understand the meaning and components of CSR.
- To study the development of CSR in India.
- To study the Indian corporates' contribution towards CSR.
- To describe the importance of CSR activities.

Components of CSR:

- Philanthropic responsibilities
- Ethical responsibilities
- Legal responsibilities
- Economic responsibilities

Figure 1: Carroll's Pyramid of CSR



DEVELOPMENT OF CSR IN INDIA

The term corporate social responsibility was coined in 1953 with the publication of "Social Responsibility of Businessmen" by Bowen. But, the seeds of CSR in India were sown much before the term was coined in the west.

- **Phase – 1:** In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from the 1850s onwards, the approach towards CSR changed. The industrial families

of the 19th century such as Tata, Godrej, Bajaj, Birla, Singhanian were strongly inclined towards economic as well as social considerations.

- **Phase – 2:** In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the "temples of modern India". Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions. All these were in line with Gandhi's reforms to abolish untouchability, women empowerment & rural development.
- **Phase – 3:** The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings (PSUs). Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". CSR was influenced by the emergence of Public sector undertakings to ensure proper distribution of wealth. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. Therefore there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth.
- **Phase – 4:** In the fourth phase (1980 onwards) Indian companies started abandoning their traditional commitment with CSR and integrated it into a sustainable business strategy. In the 1990s the first initiation towards globalization and economic liberalization were undertaken. With partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility.

CSR in corporate India has gone beyond mere charity and donations, and is now a fully functional institution within the corporate managed by professional teams who devise

strategies, goals and policies for their initiatives and have budgets. CSR focus in India is primarily focused on education, healthcare, energy, affordable shelter although most CSR initiatives do mention protection of the environment. An excellent example of a corporate CSR initiative in India would be the TATA group. They have a long history in serving the interests of both the shareholders as well as the stakeholders and this is part of their corporate DNA.

PIONEER COMPANIES IN CSR IN INDIA

TATA

Considered as pioneers in the area of CSR, the Tata group has played an active role in nation building and socio-economic development since the early 1900s. From its inception, the Tata group has taken up a number of initiatives for the development of society. A unique feature of the group is that 63 percent of the equity capital of the parent firm - Tata Sons Limited - is held by Tata trusts, which are philanthropic in nature.

The TATA motto is that “give back to the people what you have earned from them”. Explains the chairman of the Tata Group, Ratan N. Tata, “We do not do it for propaganda. We do not do it for publicity. We do it for the satisfaction of having really achieved something worthwhile.” The Tata Business Excellence Model integrates social responsibility into the framework of corporate management wherein social responsibility is encapsulated as Key Business Process.

About 7000 villages around Jamshedpur and Orissa benefit from development programmes run by the Tata Steel Rural Development Society (TSRDS). Programmes of TSRDS cover issues like education, irrigation, afforestation, adult literacy, vocational training, handicrafts and rehabilitation of the handicapped persons.

The Community Development and Social Welfare Department (CDSW) at Tata steel carries out medical and health programmes, blood donation drives, mass screening of Tuberculosis patients immunization camps and drug de-addiction. In 1999, Tata Steel embarked on an AIDS awareness programme, which has now become an integral part of all training programmes. Routine activities like immunization programmes, sterilization operations and mother and child health care programmes are conducted through 9 family welfare centres, 9 child clinics and 6 community-based clinics. In fact, Tata Steel’s Centre for Family Initiatives

(CFD) was successful in influencing 59 per cent of Jamshedpur's eligible couples practicing family planning, compared to the national figure of 35 per cent.

BIRLA

The Birla group of companies is also taking a step ahead in the field of CSR in India. As part of the Aditya Vikram Birla Group's Social Reach, the Birla group runs as many as 15 hospitals in India; includes Adult education and schools conducting as many as 78 schools all over India; rehabilitates Handicapped persons having touched more than 5000 physically challenged individuals. More than 1,00,000 patients have been examined under the Group's medical programmes. Over 15,000 children along with 2000 pregnant women have been immunized, over 500 cataract patients operated, 2000 TB patients provided medical care, 100 leprosy-afflicted attended to, free of cost. It has adopted several villages under its Village Infrastructure Development programme and has provided extensive training to over 10,000 villagers in its Carpet Weaving Center.

MAHINDRA

Among corporate who have displayed deep commitment to CSR over long years is Mahindra & Mahindra. The late Mr. K. C. Mahindra for promoting education among Indians at all levels established the K. C. Mahindra Education Trust in 1953. Every year the Trust offers up to 30-40 interest-free loan scholarships to post-graduate students going abroad for higher studies. The Mahindra Search for Talent Scholarships is a scheme established in 34 schools in India to enthuse and reward students who have achieved excellence in their academic pursuits. The Mahindra All India Talent Scholarships are awarded every year from all over India to over 300 students from lower income group families with good scholastic record pursuing job-oriented diploma courses in various polytechnics.

MARUTI SUZUKI

Adopting the theme, 'Making it Matter', the report of MSIL outlines the company's focus of taking action in the social, environment and economic spheres. "Our CSR activities will be primarily in the areas of village development, skill development and road safety. The village development will include construction of household toilets, upgrading Government schools, separate toilets for girl students," RC Bhargava, Chairman (non-executive), MSIL, said. He said MSIL would focus on skill development initiatives to make

students from Industrial Training Institutes (ITIs) industry-ready. "The company now partners with 29 ITIs. This programme benefitted over 11,000 students in the last year," Kenichi Ayukawa, Managing Director and CEO, MSIL, said.

OTHERS

Similar commitment to CSR has been displayed by several corporates in India. The list, which at best can be far from complete, includes Arvind Mills, Escorts, Dabur, Bajaj, Godrej, Hero Honda, DCM Sriram, Ashok Leyland, Ballarpur Industries, Eicher, Kinetic Group, Kirloskar, Infosys, Reliance, Ranbaxy, Wipro, each of which has been deeply committed to their communities engaging in programmes encompassing education, health, education, integrated rural development. Here is a list of top 5 best companies in india for undertaking csr activities.

Table 1 : Top 5 Companies for CSR activities in India

Sr. No.	Name of Company	Initiativeness in CSR
1	Tata Steel	The company uses Human Development Index to keep track of CSR in villages.
2	Tata Chemicals	The company spends Rs 12 cr on CSR every year & wildlife conservation tops priority.
3	Mahindra Group	CSR is a mix of strategic philanthropy, shared values & sustainability.
4	Maruti Suzuki	Community development and road safety propel Maruti's CSR in the fast lane.
5	Tata Motors	The company drives CSR through healthcare and education.

Government Initiatives :

The Law: Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend at least 2% of last 3 years average net profits on CSR activities as specified in Schedule VII of the Companies Act, 2013 and as amended from time to time. The rules came into effect from 1 April 2014.

SEBI, as per its notification on August 13, 2012, has mandated the inclusion of Business Responsibility Reports as part of the annual reports of the Top 100 listed entities. These reports have to be made available on the websites of the companies. For companies that do not belong to Top 100, inclusion of Business Responsibility Reports is not mandatory, though SEBI encourages its inclusion in the annual report and website.

Policy & Incentives: The Indian government has also begun to realize that its long cherished goal of creating an inclusive society in a large country of 1.2 billion people will not be successful if they do not establish a strong PPP (PUBLIC-PRIVATE PARTNERSHIP) model, where the government (PUBLIC) plays the role of facilitator; the corporate (PRIVATE) plays the role of implementer and the partnership is mutually beneficial. Therefore, Private sector companies have been encouraged to undertake rural development programmes over the years through fiscal incentives by the government. For instance, special benefits are offered in the industrial policy to companies that set up industries in backward areas and tax incentives are also offered to companies that set up water purification projects.

POTENTIAL BENEFITS OF CSR PROGRAMMES

CSR is being considered as an imperative for carrying on business in the society rather than as a charity. Short-term, charity-based welfare interventions are being replaced by long-term, empowerment-based Corporate Social Responsibility (CSR). As the business environment gets increasingly complex and stakeholders become aware about their expectations, good CSR practices can only bring in greater benefits, however scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise. Some of which are as follows:

1. Attracting and Retaining Employees: A CSR programme can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits

often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.

2. Risk Management: Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

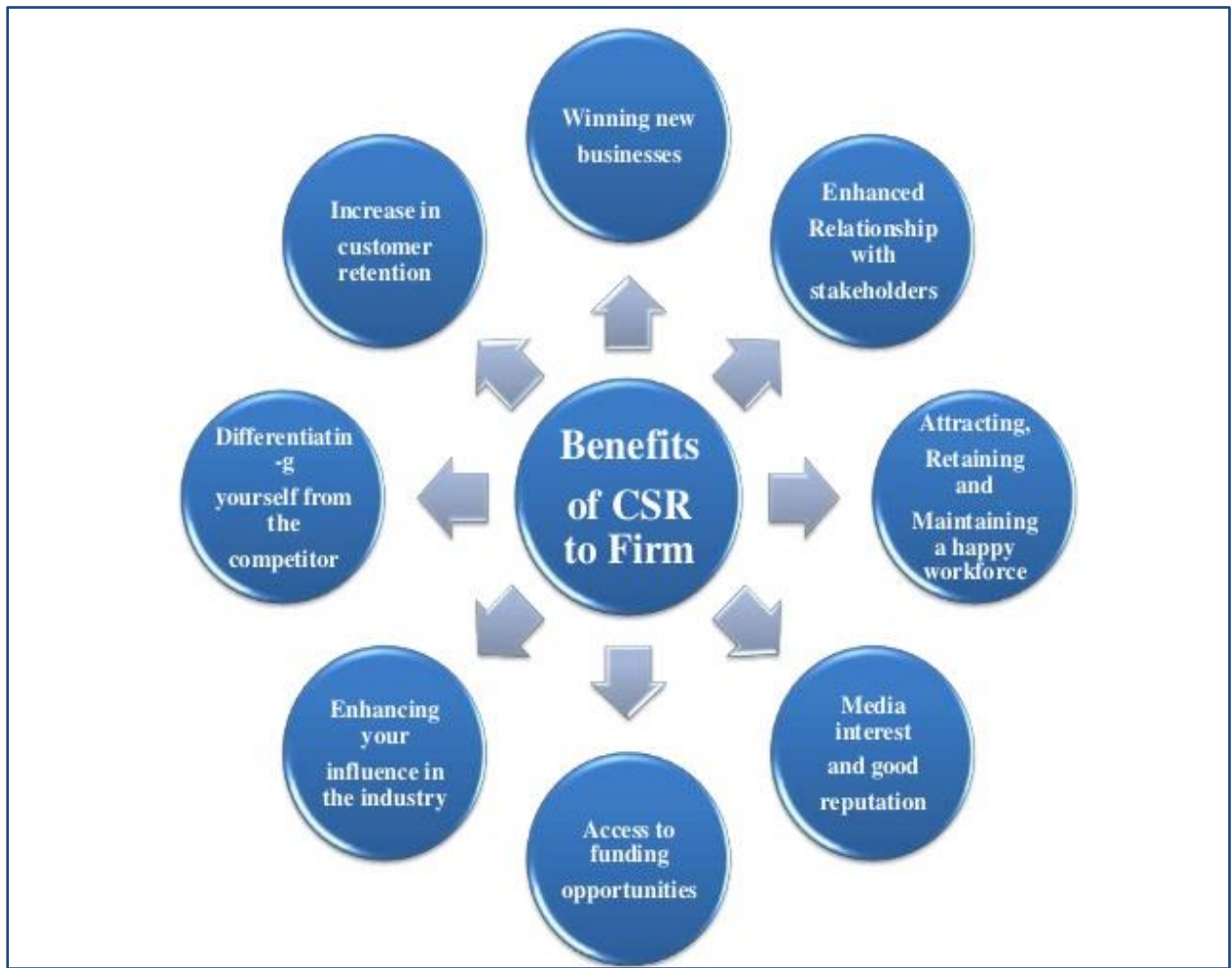
3. Brand Differentiation: In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as TATA, BIRLA are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

4. License to Operate: Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity or the environment good corporate citizens with respect to labour standards and impacts on the environment.

5. Suppliers Relations: Emphasize the importance of practicing CSR to suppliers & researching on existing supply chains. There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies with an additional and secure supply chain.

6. Enhancing Corporate Reputation: The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.

Figure 2 : Benefits of CSR



Guidance for implementing CSR Programmes :

- The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects/activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non-government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects/activities from time to time.

- Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.
- To share experiences and network with other organizations the company should engage with well established and recognized programmes/platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible.
- The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media

CONCLUSION

The triple bottom line approach to CSR emphasizes a company's commitment to operating in an economically, socially and environmentally sustainable manner. The emerging concept of CSR advocates moving away from a 'shareholder alone' focus to a 'multi-stakeholder' focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment and society at large. Thus, CSR as a business imperative must not be accepted unwillingly or half heartedly. Instead, it must be practiced with full energy and straight from the heart passion and this certainly helps the companies in the long run. CSR has gone through many phases in India. From responsive activities to sustainable initiatives, the ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates will have to try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social development because it is difficult for one single entity to bring about change, as the scale is enormous. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a faster track.

REFERENCES:

- "Implications of Companies Act, 2013 Corporate Social Responsibility". Grant Thornton India LLP.(2014)
- CSR in India, (A Case study for the Oxford- Achilles Working group on Corporate Social Responsibility) C.S. Venkatraman, Director International Management Institute, New Delhi.
- Dr. Tatjana Chahoud; Johannes Emmerling; Dorothea Kolb; Iris Kubina; Gordon Repinski; Catarina Schläger (2007). "Corporate Social and Environmental Responsibility in India - Assessing the UN Global Compact's Role"
- KPMG – ASSOCHAM Corporate Social Responsibility, Towards a Sustainable Future, A white paper, 2008.
- "The Flag Off of CSR Rules: India Inc.'s To-Do List for Compliance to Section-135". Forbes. 4 March 2014.
- Gajare, R.S. (2014). A conceptual study of CSR development in India.
- India's Best Companies For CSR 2014: Top 5 slots split between TATA, Mahindra Group & Maruti Suzuki - The Economic Times
- EY-Corporate-Social-Responsibility-in-India.pdf (application/pdf Object)
- <http://shubham-bpl.hubpages.com/hub/corporate-social-responsibility-an-overview>
- http://en.wikipedia.org/wiki/Evolution_of_corporate_social_responsibility_in_India
- <http://www.thehindubusinessline.com/companies/maruti-suzuki-hikes-spend-on-csr-in-201314/article6524124.ece>
- [http://www.scribd.com/doc/35819460/ Corporate-Social-Responsibility](http://www.scribd.com/doc/35819460/Corporate-Social-Responsibility)
- <http://www.csrindia.info/story.php?aid=168>
- <http://www.indianmba.com/>
- <http://www.tata.com>