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Unleashing Corporate Social Responsibility in India

Abstract

In recent years, increased attention has been given to the concept of Corporate Social Responsibility. CSR is not a cost centre but an effective management tool with multi-dimensional benefits. CSR offers a new dimension to the relationship between business and society. Assimilating CSR in the values, purpose and strategy of the business and giving its due importance is the new success mantra. Companies have become more transparent in accounting and display 'public reporting' due to pressures from various stakeholders. Thus, now it is possible for companies to behave in the 'desired' ethical and responsible manner towards consumers, employees, communities, stakeholders and environment as they have started incorporating their CSR initiative in their annual reports. This article discusses the concept of CSR as understood by Indian businesses in the past, and the changing interpretations of the concept in the age of globalization and expanding markets. The article further discusses the efforts toward community and social development made by both state-owned enterprises (SoEs) and private-sector businesses. After a detailed analysis, the article concludes that the future of CSR in India is bright, and that its importance will continue to grow even further given the increasing importance accorded to CSR world-wide, and India's own realization that it needs CSR to achieve long-term sustainability in the world economy.

Keywords: CSR

1. Introduction

CSR is based on the idea that not only public policy but companies, too, should take responsibility for social issues. The idea of being a socially responsible company means doing more than just to comply the law. In fact, the ultimate aim of Corporate Social Responsibility is to deliver a sustainable society in which business and its stakeholders can prosper in the long run. By engaging in socially responsible activities, small and medium businesses have a unique opportunity to give back while attracting quality local employees and acquiring new customers in the process.

There is no dearth of CSR opportunities to address as the needs in India are vast. A recent study by the Oxford Poverty and Human Development Initiative estimated that approximately 650 million people, or fifty-three percent of India's population, live in poverty. In 2010, the World Bank estimated that about 400 million people in India live on less than U.S \$1.25 a day, and poverty is also intertwined with illiteracy, gender inequality, and disease.

To add to the woes, several environmental issues confront India, such as deforestation, illegal wildlife trading, and loss of biodiversity, water pollution, air pollution, and its vulnerability to natural disasters, among other issues. So, the CSR requirement should be viewed as an opportunity to effect positive impact on the communities where they work and in the communities they affect.

2.Objectives:

1. To study the CSR status in India.
2. To study the challenges faced by CSR in India.
3. To make suggestions for accelerating CSR initiatives.

3. Research Methodology:

The integrated literature review (Torraco, 2005; Yorks, 2008) method is chosen as the primary lens to synthesize various bodies of knowledge. An “integrative literature review is a distinctive form of research that generates new knowledge” (Torraco, 2005, p. 356) about an emerging topic. A broad review of Corporate Social Responsibility literature was conducted using a multidisciplinary approach. As the focus of the review was academic in nature, the review of literature was focused only on scholarly works including seminal publications, and articles published in journals, magazines and media reports.

4. CSR concept and brief History

“Corporate social responsibility is the commitment of businesses 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.” (*World Bank Group*)

"CSR is a concept to run organisations profitably yet in a socially and environmentally responsible way in order to achieve business sustainability and stake holder satisfaction"
(p. 148). Sarbutts (2003, p. 340)

Basically it is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

Businesses today have several types of equity in addition to financial equity. Investments in these other equities are made by a variety of stakeholders. For instance:

Financial equity: Shareholders are important stakeholders as they are the ones who have invested their money in the financial equity.

Intellectual equity: Employees invest their ideas in improving technological processes, product quality, cost management, marketing techniques, and customer service. These initiatives usually go far beyond the call of normal duty for which they are compensated.

Goodwill equity: The community around a firm also invests its goodwill; it continues to support the operations in spite of all the inconveniences it suffers. For example, environmental pollution, traffic congestion, disturbances etc.

Growth equity: The government's investment is in the form of law and order, infrastructure development, and economic policies and incentives tailor made to develop a congenial environment which is conducive to business growth.

Knowledge equity: Educational institutions invest their expertise through their indigenous research and groom their students for Industry readiness by enhancing their skills and competencies.

Now in the presence of all the stakeholders mentioned above, it would be unjust to focus on only one stakeholder, i.e. the shareholder as we all know that corporations do not exist in isolation.

The idea of being a socially responsible company means recognizing obligations and going beyond simple compliance with the law. It is absolutely essential that corporations make sincere efforts to fulfill their obligations because development based solely on economic growth paradigms is unsustainable, and is not conducive to corporate success. Though the concept of CSR is immensely popular, and is accorded significant importance, in India today the practice of integrating social and environmental concerns into a corporation's business operations, and of contributing to the development of the local community and society at large remains a largely voluntary undertaking.

Brief History:

In the pre-industrial period prior to the 1850s, CSR was heavily influenced by cultural and religious tenets. As per the Vedic philosophy, the principal role of money was to serve the needs of society, and the best use of money was donation for the welfare of others. Later, the British brought western industrialization to India, and under its influence, a few families from traditional merchant communities such as the Tata, Birla, Bajaj, Godrej, Shriram, Singhania, Modi, Mahindra, "who were strongly devoted to philanthropically motivated CSR," pioneered indigenous industrialization. Business operations and CSR engagement in this period were based primarily on corporate self-regulation, though the charitable and philanthropic actions of corporations were mostly sporadic and were not followed consistently as part of a well thought-out, long-term business strategy. Additionally, these CSR practices focused on the external stakeholders only, such as communities and general social welfare bodies. This narrow focus obviously could not deliver the desired results, as the welfare of internal stakeholders, such as employees, were completely ignored.

India was a British colony for about 200 years, and the country's struggle for independence dominated the second phase of Indian CSR (1914-1960). "Gandhi's influence prompted various Indian companies to play active roles in nation building and promoting socio-economic development during the twentieth century" by committing themselves to his reform programs, which included abolition of "untouchability," the caste system, development of rural areas, and promotion of indigenous cottage industry. Post-independence India followed the "mixed economy" model, which incorporated aspects of capitalism and socialism, and under which both the public and private sectors coexist successfully. Jawaharlal Nehru propounded the "Statist" model of CSR in post-independent India, under which sustainability practices and policies of SoEs (State

Owned Enterprises) were featured prominently. Under this model, "elements of corporate responsibility, especially those relating to community and worker relationships, were enshrined in labor law and management principles".

The country underwent a major currency crisis in 1990-91, and was in a precarious position due to its rising "current account deficits and greater reliance on commercial external financing." The financial crisis forced India to deregulate and liberalize its economy in order to achieve domestic stability and to become competitive in the global market. The wave of globalization had swept the world, and India was getting ready to ride it. As a result of internal economic reforms and the globalization of the world economy, India experienced a striking economic boom, with a growth rate of eight percent or more. India's post-liberalization phase has seen a shift: from the philanthropy-based model of CSR to a more liberal mode. Additionally, "the rise of globalization has brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations."

India has a large public sector with several large corporations operating in various sectors like heavy industries, mining, steel, shipping, aviation, petroleum, and equipment manufacturing. Indian PSUs have a long tradition of CSR. After Independence, these PSUs made relentless efforts to reduce mass unemployment by creating job opportunities and providing healthy working conditions, job security, health care benefits, and education benefits to its employees.

Some of the PSUs such as ONGC, NTPC, BHEL, and Indian Oil Corporation (IOC) are good examples of how these enterprises have successfully evolved into organizations that can meet the challenges of market competition successfully while also contributing effectively toward social development.

5. Era of Multinational Corporations (MNCs)

More and more global MNCs continued to be, attracted to India for production, manufacturing and the provision of services. The increased presence of large global corporations such as IBM, Microsoft and others on Indian soil has exposed India to a highly-developed regime of CSR initiatives based on the multi-stakeholder models. Today, companies like Tata Group, Wipro, Infosys, and Ranbaxy are globally competitive companies that have successfully grown beyond India.

5.1 CSR of Indian Multinational Corporations

Although there is a shift in the perception of CSR from traditional philanthropy towards sustainable business, but till today philanthropic mindsets are wide spread in many Indian companies. Even today, donations remain the main technique of CSR, with a large number of companies writing checks toward fulfillment of their CSR responsibilities rather than using their core competencies to benefit society as a whole.

Tata Group's founder, J.N. Tata, heralded the wave of CSR in India. Tata observed, "In a free enterprise, the community is not just another stakeholder in the business, but is, in fact, the very purpose of its existence." Tata Steel, a subsidiary of Tata Group, included CSR in its Articles of Association in 1973, and today, the Tata Council for Community Initiatives (TCCI) provides the superstructure for CSR efforts across the group while the Tata Index for Sustainability "measures and improves the social upliftment programs that the group enterprises undertake. Other Indian companies, such as the Birla Group, Bajaj Auto, Godrej, Hindalco, Reliance and the Mahindra Group, are also seriously engaged in CSR. The Mahindra Group was recently awarded the Bombay Chamber Good Corporate Citizen Award for 2007-08.

Multinational corporations play a leading role in the world economy. With the amount of resources at their disposal, both in the form of finances and human capital, there is an expectation that these corporations

should recognize that their responsibility is not limited to the shareholders, but also extends to individuals, communities, society at large and anyone who is directly or indirectly affected by their operations. A good example on point is Microsoft Corporation India Private Limited, a wholly owned subsidiary of the Microsoft Corporation, which has been operating in India since 1990 and employs over three thousand people in its several offices across the country. Microsoft India is extensively involved in CSR projects, and launched Project Jyoti in 2003. Project Jyoti aligns with Microsoft's global program-Unlimited Potential, wherein the company makes a long-term investment of more than US \$1 billion "to aid technical skills training and lifelong learning for communities around the world". Bill & Melinda Gates Foundation, has especially worked extensively in the area of healthcare. The foundation established Avahan - an HIV prevention initiative - in 2003. Avahan has committed US \$258 million donation to prevent the further spread of HIV/AIDS in the country. Similarly, Intel and IBM have contributed significantly, and are actively involved in a variety of CSR projects. Intel's Outreach Program has been working to increase literacy with a special focus on science, mathematics, and computer literacy. But, the adoption of CSR strategies is not simple even for these large successful MNCs, and it comes with a whole new set of challenges. The CSR strategies of these international companies "often includes policies regarding the internal structure and working conditions of the company and its subcontractors, with the code of conduct as the prime instrument for control and compliances.

The changed attitude of international companies as a result of compliance with CSR and ethics-driven codes of conduct has marked "a new phase in the relationship between the suppliers and the international companies the buyers where the buyers' demands on the suppliers extend beyond quality control, on time deliveries and price competitiveness." Recently, Gap Inc., one of the world's largest clothing retailers, was severely criticized after it was accused of working with subcontractors in India that were using child labor to make clothes. The investigations revealed that children as young as ten years old were working in terrible conditions in a sweatshop in India. Gap took immediate action, ending its relationship with the suppliers who were using child labor via an unauthorized subcontractor. The garments in question were withdrawn from sale. Gap stated that it would not allow any kind of impropriety at any level in its value chain, and would not work with suppliers who violated their policy.

6. Conclusions and Recommendations

Indian Companies have undergone a transformation as a result of its exposure to the Western approach. This approach can be attributed to Indian companies venturing into the global arena to compete with the rest of the world. This has pressurized the Indian companies to reevaluate their CSR endeavors and to align them with the global trends. Globalization has led to the emergence of the multi-stake holder approach. Under such an approach, companies are responsible for all stakeholders, a term that includes employees and both community and financial stakeholders.

"Triple Bottom Line" or "Triple P-people, planet and profit" is the mantra of the day for success. Indians have huge expectations for companies, both global and domestic, and would like them to step forward and take responsibility in the societies or communities in which they are operating by adopting responsible practices. Investors now often consider the social performance of the company when making investment decisions. They do not want to put their money into the operations of a corporation that is neglecting its social responsibility. Hence, the social report card of the corporation has become an important factor in attracting potential investors.

CSR in India has considerable potential for improving corporate environmental and social conduct. It cannot be considered as a liability of bigger corporations alone but small and medium-sized companies can also chip in, even if in a limited way. The idea is to have corporations feel responsible, and adopt a more liable and open approach to the market and to concerned stakeholders by integrating CSR into their business strategies, discouraging abusive practices, and making sincere efforts, irrespective of the size or volume them, to promote community and social development.

7. The Roadmap ahead:

1. Integrate CSR into business strategy as opposed to practicing sporadic corporate philanthropy:

- CSR initiatives should be done by integrating CSR into a sustainable business strategy. The policies, programs, and practices related to CSR should be part and parcel of business operations and processes, and everyone in the organization should understand the company's philosophy, on CSR to be supportive of the efforts made by the organization.
- It should not be seen as a burden but as a critical tool for protecting the company's reputation, defending against attacks, and building a competitive edge.

2. Promote multi-stakeholder approach, with focus on both internal and external stakeholders:

- A multi-stakeholder approach involves all of the company's stakeholders in the development and implementation of its CSR initiatives.
- In India, CSR initiatives are mainly focused on external stakeholders, such as the community; internal stakeholders, such as employees, are mostly ignored. Company executives do not view unemployment and underemployment, unfair and unsafe workplaces, or personal rights and freedom as being major causes for worry.

3. Spreading CSR along the supply chain:

- Consumers increasingly demand that companies act responsibly, and that their responsible practices involve all of the stakeholders in their value chain. Consumers consciously avoid associating themselves with products or services of such corporation.
- It needs to be ensured that no violation of CSR practices occurs at the level of suppliers in the value chain. Corporates can share their knowledge and relevant experiences with the suppliers, extending a helping hand to guide them in the implementation of the CSR policies, training them to comply with standards, and providing them with incentives to remain on the right track can prove beneficial to corporations as well as their suppliers.
- A good example of such incentives would be an assurance of a long-term business relationship as long as the suppliers stay committed to the corporation's CSR policies and comply with standards.

4. Promote Public Private Partnerships (PPP):

- PPPs have paved the way for successful CSR initiatives elsewhere in the world, and can prove beneficial to India as well. A number of governments are turning to the private sector to provide services that were once rendered by the public sector, or were in the domain of the government's social responsibilities.
- PPPs are an optimal solution because their knowledge and relevant experiences can be beneficial to both the government and the private sector.
- Some examples of successful PPPs in India include adoption of public healthcare facilities by corporations, the Malaria Control Society in Gujarat hiring private agencies for information dissemination, the government of Orissa allowing an NGO to run some of its primary healthcare

centers, and the government of India engaging private practitioners to run the Tuberculosis control program at fourteen sites across the country.

- Multinational corporations are also looking at PPPs as a tremendous opportunity to promote CSR initiative. Similarly, the Clinton Foundation is partnering with companies such as Ranbaxy, Cipla, Matrix, Roche, and Becton Dickinson to negotiate better pricing for ARV drugs and diagnostics to assist NACO in its care and treatment programs.

5. CSR Reporting:

- Social accounting or sustainability reporting or triple bottom- line reporting, which involves communicating to the various stakeholders involved and the public at large the impact of the corporations' CSR efforts, is an important aspect of CSR.
- The two major public international CSR guidelines, the UN Global Compact and the OECD Guidelines, do not themselves contain a particular reporting mechanism to which corporations are invited to subscribe.
- Large companies have found that CSR reporting can boost profitability by, for example, prompting corporations to make socially and environmentally conscious investments that rapidly pay for themselves and contribute to the bottom line by reducing energy costs or the costs of absenteeism and worker error.
- Corporations located in developing countries have also begun to recognize the advantages after reaping profits from implementing CSR reporting programs.
- CSR reporting is done by ITC, Dr. Reddy's Laboratories, Jubilant Organosys, and Ford India successfully.
- Companies in India are more involved in developing a stakeholder-oriented approach, and use their core competencies in addition to committing financial resources to accomplish their CSR goals. They have realized that the long-term success of their companies depends on the satisfaction of the many stakeholders in the community. Corporations that have integrated CSR into their business strategy, and have tied such efforts to their core competencies continue sincerely to pursue the programs even today.

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