

The Role of Corporate Social Responsibility in India

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Abstract

CSR is the medium through which corporate address the large group of stakeholders. Corporate Social Responsibility (CSR) moving far ahead from its age old domain of philanthropy and charity has now reached to a new hallmark of Corporate responsiveness and action to social issues and demand for sustainability in order to advance further towards a new era of collective future action for factoring the sustainable business strategy for good governance and development of the society and its people. The purpose of this paper is to know the reasons for growth of CSR in India and to know what are potential benefits of CSR to companies.

Keywords: corporate social responsibility, globalization, stakeholders

Introduction

It's no longer enough for businesses to simply buy and sell their products and services without considering the world in which they operate. The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholders, meaning those on whom organization activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, Strategic Management: A Stakeholder Approach in 1984. Companies must voluntarily do business in an economically, socially and environmentally responsible manner to be sustainable over the long term. Corporate social responsibility (CSR) refers to business practices involving initiatives that benefit society. A business's CSR can encompass a wide variety of tactics, from giving away a portion of a company's proceeds to charity, to implementing "greener" business operations. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society (Companies Act 2013 (Companies Act). CSR policy functions as a built-in, self -regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.

The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. The WBCSD defines CSR as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large." It brings benefits for risk management, cost savings, access to capital, customer relationships, and human resource management. Companies can become socially responsible by:

- following the law;
- integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

Global Guidelines on CSR

CSR moved from a social practice to an effective business tool. There are several globally recognised guidelines, frameworks; tools pertaining to CSR are available. Some of them are discussed below, these relate to larger perspective of business responsibility and sustainability.

UN Guiding Principles on Business and Human Rights: Human rights are at the heart of the debate, and so is the question of which tools can be deployed to make sure that they are respected. In 2011, the Human Rights Council of the United Nations adopted concrete guidelines for action, the Guiding Principles on Business and Human Rights, intended to move beyond the debate on voluntary versus binding instruments in the area of human rights. The Guiding Principles rest on three pillars:

- the state duty to protect
- the corporate responsibility to respect
- access to remedy

OECD Guidelines for Multinational Enterprises, they offer a comprehensive code of conduct designed to provide multinational enterprises (MNEs) with guidance and support in their interactions with trade unions and in the areas of environmental protection, the fight against corruption and respect of the interests of consumers. The Guidelines also contain recommendations on overseas investment and cooperation with foreign suppliers.

The International Labour Organization (ILO), which was founded in 1919, aims to introduce minimum social standards around the world. The idea behind these efforts is to prevent companies from gaining competitive advantages by violating workers' rights.

The mission and the actions of the ILO are based on four basic principles:

- Freedom of association and the right to collective bargaining
- Elimination of forced labour
- Abolition of child labour
- Elimination of discrimination in respect of employment and occupation

Growing Importance of CSR

CSR can be a huge benefit to a company because it forces the leadership to research and implement ways to be a benefit for society. The establishment of a CSR strategy is a crucial component of a company's competitiveness and something that should be led by the firm itself. This means having policies and procedures in place which integrate social, environmental, ethical, human rights or consumer concerns into business operations and core strategy – all in close collaboration with stakeholders. A global provider of business solutions for human resources) found that organisations that had a genuine commitment to CSR substantially outperformed those that did not, with an average return on assets 19 times higher. Additionally, the study showed that CSR-orientated companies had a higher level of employee engagement and provided a markedly better standard of customer service (Study by Kenexa High Performance Institute in London, 2015).

Nearly two-thirds (66%) of respondents said they're willing to pay more for products and services that come from companies that are committed to positive social and environmental impact, up from 55% in 2014, and 50% in 2013. In terms of specific company attributes, 58% said they were willing to pay more if a product is from a company known for being environmentally friendly and 56% said they were willing to pay more if the product is from a company known for its commitment to social value (Nielsen worldwide survey of 30,000 consumers in early 2015). The 2015 Cone Communications/Ebiquity Global CSR study found that 90% of consumers would switch to a brand if it supported a cause.

Apart doing good for society and the planet, CSR can be a significant competitive advantage in today's highly competitive out-of-home leisure landscape.

- **In the interest of enterprises** - CSR provides important benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management, and their ability to innovate.
- **In the interest of the economy** - CSR makes companies more sustainable and innovative, which contributes to a more sustainable economy.
- **In the interests of society** - CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economic system.

CSR in India

CSR is not new in India. Ever since their inception, corporate like the TATA Group, Aditya Birla Group, IOCL, to name few have been involved in serving the community, through donations and charity events. In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of 5 crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director (Companies Act, 2013).

After the new Companies Act made it mandatory for companies with a net worth of Rs 500 crore or with annual turnover of Rs 1,000 crore to spend under CSR, India's total CSR reporting increased by 27% in 2015, the maximum among 45 countries (survey done by KPMG).

In India several companies have started realizing that it is a sensible move to take up CSR activities and integrate it with their business process. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. Corporations are becoming increasingly aware of their role towards the society. They are responsible bodies that feel a sense of duty towards the common welfare and the environment. This comes with a growing realization that they, as an integral part of this society themselves, can contribute to its upliftment and empowerment of the entire country in turn. Thus Companies now are setting up specific departments and teams that develop policies, strategies and goals which are for their CSR programs and allocate separate budgets to support them. These programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment, and healthcare and so on.

The Top 10 Companies

Rank (2015)	Company	Rank (2014)	Company
1	Tata Steel Ltd	1	Mahindra & Mahindra
2	Tata Power Company	2	Tata Power Company
3	UltraTech Cement	3	Tata Steel
4	Mahindra & Mahindra	4	Larsen & Toubro
5	Tata Motors	5	Tata Chemicals
6	Tata Chemicals	6	Tata Motors
7	ITC	7	GAIL (India)
8	Shree Cements	8	BPCL
9	BPCL	9	Infosys
10	Larsen & Toubro	10	Jubilant Life Sciences

Highlights from the Top 10

Tata Steel leads the pack. Compared to the previous study, it has jumped two places.

Tata Power retains its position.

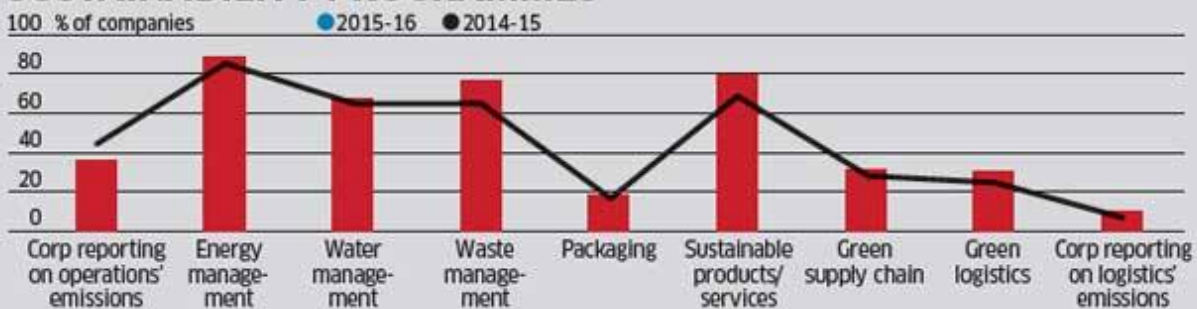
There are four Tata group companies in the top 10 list.

Mahindra & Mahindra, the top-ranked company, in 2014 drops three ranks to be placed fourth.

Ultratech Cement and Shree Cements are the surprise entrants in the top 10.

No foreign player make it to the top 10 list – a trend that follows from 2014.

SUSTAINABILITY PROGRAMMES



Source: India CSR News, September 2016

Total CSR spend of 173 firms for which data was available in 2014-15 was Rs 5752 crore with an average spend of Rs 33.25 crore per company. This translated into an average CSR spend as a percentage of average PAT of 1.4 per cent, which is lower than the government mandate of 2 per cent and more. Government push makes corporate India step up. Over 39 per cent of companies focused on Swachh Bharat. 59 per cent of the companies surveyed work in the areas of solar energy. Emissions disclosure needs more focus. Only 36 per cent (38 per cent in the previous year) of India's top 200 companies disclosed data on GHG emissions while 54 per cent participated in carbon specific initiatives such as Carbon Disclosure Project (CDP). Energy and Materials, given the inherent nature of their business, try to mitigate the impact on the external world through a business responsibility focus. Education and healthcare attracted the largest CSR spends, accounting for 45 per cent of the total spends. Empowering women, support for senior citizens and armed forces veterans saw no takers. (India CSR News, September, 2016)

Also corporate are joining hands with NGOs and use their expertise in framing programs which address wider social problems. For example, SAP India along with Hope Foundation, an NGO rebuilds the lives of tsunami affected victims.

CSR activities of some Indian companies

The first company of good corporate governance is the Indian IT industry bellwether, Infosys. Indeed, Infosys is one of the companies that has set benchmarks for other companies not only in India but all over the world in the way corporate governance and social responsibility are handled and projected to the outside world. The point here is that companies not only need to walk the talk for CSR but also broadcast their achievements to the world at large. Another company that has done an exceptional job of portraying itself as a good corporate citizen is the TATA group in India.

Four Tata Group companies have secured top 10 Rank in CSR for 2nd consecutive year in Economic Times Survey, report published on September 15, 2016. There are four Tata group companies in the top 10 list. Tata Power retains its position. Compared to the previous study, it has jumped two places. Mahindra & Mahindra the top ranked company in 2014 has dropped 3 ranks to be placed fourth. Ultratech Cement and Shree Cements are a surprise entrant in the top 10. Interestingly no foreign

players made it to the top 10 list – a trend that follows from 2014. CSR activities of some Indian companies are as follows:

Infosys: They established Infosys Foundation in 1996. The focus areas are to strive for economic development, promoting education, to fight for hunger, poverty, malnutrition, to strengthen rural areas, to promote gender equality and women empowerment and environment sustainability.

Reliance Industries: To provide impetus to various philanthropic initiatives of RIL, *Reliance Foundation (RF)* was set up in 2010 as an expression of its vision towards sustainable growth in India. Reliance Foundation works for the people belonging to marginalized community. It works to promote quality life among rural people, to provide access to quality and affordable healthcare in India, work for urban renewal and provide affordable education, to promote art and culture of India, also work to revolutionize grassroots sports.

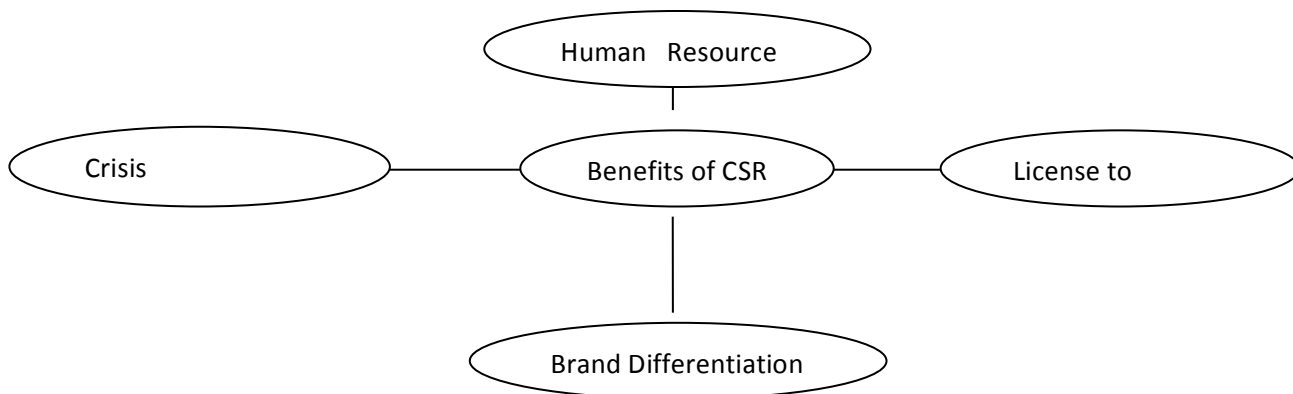
TATA: The group believes corporate social responsibility (CSR) is a critical mission that is at the heart of everything that it does, how it thinks and what it is. The company uses the power of business to solve social and environmental problems. Tata companies are involved in a wide variety of community development and environment preservation projects. The Tata group's social activities relate to health, primary education, skills training and entrepreneurship, livelihoods, women empowerment and strengthening services for the differently-abled.

Mahindra and Mahindra: The Company focuses on the constituencies of girls, youth, and farmers, by supporting them in education, health and livelihood enhancement, with innovative programmes that harness the leveling power of technology. Rise for Good also entails running our business with integrity, responsibility and transparency, caring for the well-being of the planet and striving for the welfare of our employees, customers and the community.

Key CSR issues in India are environmental management, eco-efficiencies, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, human rights, good governance and anti-corruption measures.

As CSR becomes a priority (and the norm) for more and more businesses, we expect to see a surge of innovative programs addressing sustainability over the long term.

Potential business benefits of CSR



The nature of benefits of CSR for any organization can vary depending on the nature of the enterprise. The business case for CSR within a company will likely rest on one or more of these arguments.

1. Human resources

A CSR programme can help to recruitment and retention. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage.

2. Crisis management

Managing crisis is a central part of many corporate strategies. Reputation as take decades to build up can be ruined in hours through incident such as corruption scandals or environmental accident. These can draw unwanted attention from regulators, courts, governments & media. Building a genuine culture of doing the right thing within a corporation can offset these risks.

3. Brand differentiation

In crowded market places, company's striving for a unique selling proposition. CSR affects brand differentiation through customer preference and employee engagement. CSR also helps in building customer loyalty based on distinctive ethical values.

4. License to operate

Corporation are keen to avoid interference in their business through taxation. By taking substantive voluntary steps, they can pursue governments that they are taking issues such as health & safety, diversity, or the environment seriously as good corporate citizen for positive impact on the environment.

CSR remains essential to building and maintaining a strong brand image and goodwill. A CSR initiative also helps in protecting a company from harm during a controversial or challenging event.

Four Face of Social Responsibility

Economic	Responsibility to earn profits for owners
Legal	Responsibility to comply with the law
Ethical	Not acting just for profit, but doing what is right, just and fair
Voluntary and philanthropic	Promoting human welfare and goodwill. Being a good corporate citizen contributing to the community and quality of life

Conclusion

CSR have no boundaries and are not constrained by race, colour, or religion. Sadly, concern for the community is often mistaken for socialism. On the contrary, every citizen is an asset in economic activity and has opportunities to succeed. This invisible culture can shape brighter future for nations. If employees don't see the point of CSR initiatives, or understand the message, initiatives are unlikely to be effective. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the down trodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept- CSR. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of protecting the goodwill and reputation, defending attacks and increasing business competitiveness. It stems from the desire to do well and get self-satisfaction in return as well as societal obligation of business. The Indian corporate sectors are planning to introduce CSR in the small and medium enterprises (SME) sector to increase its reach in remote areas. Also some companies have already started using the CSR as a strategy, which aims at mutual development of company and the community simultaneously.

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