

Corporate Social Responsibility [CSR] Initiatives Of Companies In India

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INTRODUCTION

The present day businesses continuously innovate by introducing drastic changes in priorities and bringing consensus on critical success factors. Several such factors that had been put in the backburner by yesterday's managers were pushed to the limelight by today's businesses for survival and growth. The issue of stakeholder welfare is one of such factors that received greater attention from management all over the world. This has contributed wide spread thinking about humanizing and democratizing the process of administration. One of the aspects that is thought of and refined more in the present context on stakeholder welfare is the concept of Corporate Social Responsibility [CSR]. Every business organization is working out a model to implement their CSR initiatives according to the vision of their respective organization.

Recent decades witnessed the emergence of related CSR concepts such as corporate citizenship and corporate sustainability in the business domain. This has perhaps occurred in response to new challenges such as those emanating from increased globalization on the agenda of business managers as well as demand from related stakeholder communities. Thus, CSR has now become a part of both the vocabulary and agenda of business managers, academics, consumer groups, employees, suppliers, shareholders and investors.

An insight into the content and direction of CSR initiatives of Indian corporates is attempted in the present study titled "Corporate Social Responsibility Initiatives of Companies in India". The relevance of the study stems from the fact that many Indian companies stated benchmarking global business procedures in the post liberalization era. Concepts like corporate governance, corporate social responsibility, financial engineering, business process restructuring and so forth have captured the attention of Indian corporates and its regulators in recent times.

OBJECTIVES OF THE STUDY

The Important Focus Areas Of The Present Study Are :

1. To track the key focus area of CSR initiatives of Indian corporates.
2. To study the direction of CSR in the context of stakeholder welfare.
3. To guide policy formulators for improving efficiency and effectiveness in CSR spending.

METHODOLOGY

The samples for the purpose of analysis were drawn from the CSR database of top 500 companies compiled by Karmayog.org¹, an NGO monitoring the CSR of the Indian corporate sector. The present study is a sample study based on random sampling method. The samples were drawn from five industrial sectors occupying pivotal positions in the economy representing Banking, IT, Pharmaceuticals, FMCG, Automobile sectors. The size of the sample is 65 comprising of 12 from the Banking, 11 from IT, 23 from Pharmaceuticals, 13 from FMCG and 6 from Automobile sectors of the Indian industry. On the basis of ownership, we have selected 8 companies from the public sector and 22 companies from the private sector randomly from the five industry groups selected for the inter sectoral study.

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PERIOD OF THE STUDY

The study covers the CSR activities of selected companies during financial year ending 31st March 2008.

REVIEW OF LITERATURE

Corporate social responsibility is gaining importance in many countries of the world in the context of designing a business model for sustainable and inclusive development. This topic has received attention of several researchers in different parts of the world. An attempt is made here to present a brief review of some research works that have direct and indirect relation to the research problem. Several studies on the topic have established that the managers, particularly of large corporations, accept a responsibility for establishing social policies for the corporations. Louis² was one of the first to survey managers with regard to social problem. His survey of 350 executives polled by fortune magazine showed that 10% felt that the sole business of business was to make a profit. At the end of the spectrum, 17% viewed that business should assume social responsibility even at the cost of reduced profit. In this same poll, 95% of the respondents said that their companies were involved in the social programmes.

In 1971, the Harvard Business Review³ surveyed 3,453 of its subscribers and asked them how valid they thought each of the following observation were “(1) A corporation's duty is primarily to its owners and only to its owners. (2) A corporation's duty is primarily to its owners and then to employees, customers and the public. (3) A corporation's duty is to serve as fairly and equitably as it can in the interests of four, sometimes competing groups- owners, employees, customers and the public. (4) The primary duty of the enterprise is to ensure its future growth and continued functioning as a profit making supplier of goods and services.” Seventy four percentage of the respondents felt that the first statement was the least valid of the four. Only 2% said it was the most valid. Sixty one percent said that the third statement was the most valid. Holmes⁴ conducted a similar survey among the Fortune 500 and concluded that the trend towards greater acceptance of social responsibilities was continuing. Gill and Leinbach⁵ studied the attitudes concerning social responsibility by taking a sample of 83 companies in Hong Kong. They found and there is an understanding and appreciation to corporate social responsibility. However, they opined that it will not become a reality under the present politico-economic conditions.

Abdul Farooq Khan⁶ made an investigation into the perceptions of corporate social responsibility among 41 senior executives of companies in New Delhi and Ghaziabad district in U.P in India. He found that 98% of the respondents agreed that social responsibility was relevant to business. They considered profit an equally important goal. Another broad comparative survey is that of Buchler and Shetty⁷. They studied 232 major corporations, from among the Fortune 500, to determine how and to what extent they were involved in social programmes. This research showed that the greatest involvement in social programmes were concerned with quality control to meet consumers' expectations, anti-pollution activities and motivations for social actions in urban areas.

Cohn⁸ in a survey of 247 major corporations carried out in the US found that 201 companies have some sort of urban affairs programme under way. McGuire and Parish⁹ studied the rapidly accelerating corporate involvement in urban problems of the United States and reported that one out of every 10 executives said that the recent increased involvement in business in urban affairs is likely to be permanent.

Newmann¹⁰ conducted a study on social issues of transnational enterprises and concluded that profit sharing, local employment and local ownership are major areas of social concern and that the managements of transnationals are considering for survival. More delegations of authority, local autonomy and employment of higher percentage of nationals in managerial position as appropriate moves to reduce local tension.

In June 2008, a survey was carried out by TNS India (a research organization) and the Times Foundation¹¹ with the aim of providing an understanding of the role of corporations in CSR. The findings revealed that over 90 per cent of all major Indian organizations surveyed were involved in CSR initiatives. In fact, the private sector was more involved in CSR activities than the public and government sectors. The leading areas that corporations were involved in were livelihood promotion, education, health, environment, and women's empowerment. The possible benefits accruing from CSR were enhanced goodwill, branding and improved perception about company according to the order of priority.

Thus, it is evident from the forgoing survey of literature on the topic that CSR has gained recognition among the business community as a strategy for survival and growth.

ANALYSIS OF THE DATA

An inter sectoral study is attempted in the following section with a view to demystify CSR activities of the Indian companies. The study is structured into two groups on the basis of nature of business and its ownership. On the basis of nature of business, CSR initiatives of five prominent sectors of the Indian industry were studied. The selected companies represent Banking, IT, Pharmaceuticals, FMCG, Automobile sectors. These industrial segments occupy pivotal positions in the industrial scenario resulting from their relevance and relative contribution to the economic development of the country. On the basis of ownership, a comparison between public and private sector undertakings was carried out on the focus areas of CSR. The inter sectoral study explored CSR initiatives from three dimensions such as activities undertaken, relative importance of different activities and the beneficiaries of the CSR initiatives. Thus, the present analysis will be helpful to gain further insight into this direction and focus areas of CSR by Indian corporates.

CSR - INTERSECTORAL ANALYSIS

A study of CSR activities of companies representing the selected industry groups is presented in Table 1.

Table 1: Directions Of CSR- Inter Sectoral Study

Sl.No.	CSR Activity	Pharmaceuticals	FMCG	IT	Banking	Automobile
1.	Rural Development	✓	-	-	✓	-
2.	Health Care	✓	✓	✓	✓	✓
3.	Education	✓	✓	✓	✓	✓
4.	Micro Finance	-	-	-	✓	-
5.	Child Welfare	-	-	-	✓	-
6.	Disaster Management	✓	-	✓	✓	✓
7.	Community Development	✓	✓	✓	✓	✓
8.	Women Empowerment	-	-	✓	-	-
9.	Environment Protection	✓	✓	✓	-	✓
10.	Infrastructural Development	✓	✓	-	-	-
Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org						

Table 1 shows that Indian companies undertake a variety of CSR activities while pursuing their organizational goals. The diversification in CSR initiatives is evident from the range of activities range displayed in the Table 1. Among the 10 different CSR initiatives, Healthcare, Education and Community Development are commonly pursued by companies across different sectors, whereas micro finance and child welfare and women empowerment have not received sufficient attention by the Indian companies. It is also evident from the Table 1 that CSR initiatives on disaster management and environment protection are also popular among companies. However, the study revealed lack of consensus among the Indian corporates regarding the activities to be undertaken on the CSR front which call

Table 2: Relative Importance Of CSR Initiatives - Inter Sectoral Study

Sl.No.	CSR Activity	Pharmaceuticals	FMCG	IT	Banking	Automobile
1.	Rural Development	4%	15%	-	8%	50%
2.	Health Care	43%	54%	18%	25%	67%
3.	Education	39%	54%	82%	42%	100%
4.	Micro Finance	-	-	-	8%	-
5.	Child Welfare	-	-	-	17%	-
6.	Disaster Management	17%	23%	18%	25%	17%
7.	Community Development	13%	23%	18%	25%	17%
8.	Women Empowerment	-	-	-	-	17%
9.	Environment Protection	35%	15%	9%	-	83%
10.	Infrastructural Development	4%	8%	-	-	-
Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org						

for directions from policymakers. Presently, the CSR agenda is prepared by companies themselves.

Table 2 explores the relative importance of different items in the CSR portfolio of the Indian corporate sector. Data provided in the Table will be helpful to make an in depth study of the relative importance of various CSR initiative at the inter sectoral level. It is quite clear from the Table that there exists inter sectoral difference with regard to the relative importance of various CSR activities practiced by Indian companies. Among the 10 different CSR activities, education and health care generally received top priority among companies at the inter sectoral level. The acceptability of education ranges from 39% to 100% across different sectors of the industry. The importance placed to the next best priority activity viz: Health care ranges from 18% to 67%. CSR initiatives directed towards community development and Disaster management also received attention of companies across different industry groups. With regard to other CSR initiatives such as -women empowerment, micro finance, infrastructure development etc., lack of uniformity is seen among companies representing different sectors of the industry. Any study on CSR will be incomplete unless we focus our attention on the beneficiary groups. This aspect is presented in Table 3 given below. For the purpose of the analysis, the beneficiaries are classified into three groups. They are employees, people in the vicinity and society at large.

Table 3: Beneficiary Groups Of CSR -Inter Sectoral Study

Sl.No.	Beneficiary Group	Pharmaceuticals	FMCG	IT	Banking	Automobile
1.	Employees	1 (4%)	0	0	0	0
2.	People within the vicinity	13 (57%)	4 (31%)	3(27%)	5(42%)	3(50%)
3.	Society at large	-	1(8%)	1(4%)	0	0
4.	Group 2 x 3 together	9 (39%)	8(61%)	7(64%)	7(58%)	3(50%)
	Total	23	13	11	12	6
Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org						

It is evident from the Table 3 that the ultimate beneficiary of CSR activity range from companies' employees to society at large. Among the three, the most matured form of CSR are those targeted towards society at large. This is because many CSR activities targeted toward employees and people within the vicinity are undertaken either because of compulsion or as a survival strategy. The real test of corporate goodness are the initiatives undertaken by the companies those who are not directly related to the organization. Owing to the scattered nature of industries in India, more focus of CSR on society at large is essential for realizing the dream of inclusive development by rectifying regional imbalances. Therefore, the involvement of companies in general welfare of the society may be considered as the most philanthropic form of CSR. It is evident from the Table 3 that there exist considerable difference at the inter sectoral level on the beneficiary group of CSR activity of Indian companies. Employees and society at large are the least focused area among the corporates, across different sectors of the industry. Most of the beneficiaries belong to the people in the immediate vicinity. Companies also maintain dual focus by targeting people within the vicinity and society at large while planning their CSR budget. Let us turn our attention to the state of affairs of CSR in public and private sectors - the dual drivers of our economy.

CSR INITIATIVES - PUBLIC SECTOR VS PRIVATE SECTOR

India, being a mixed economy, provides sufficient head room for both public and private sectors. Since independence, governments at the central and state levels pursued rapid investment in public sector to kick start industrial development of the economy that was shattered under the British rule. After three or four decades since independence, the government pursued liberalization initiatives in the year 1991 with a view to promote private sector and to rejuvenate the ailing public sector. Today, the Indian economy is represented by both public and private sectors engaging in healthy competition to promote rapid development of the country. Another feature of the present day Indian economy is that the private sector is making inroads into some sectors of the economy formerly reserved for the public sector. Opening up of Banking and insurance sector is a case to this point. The following analysis tracks the developments in the public and private sectors in the context of CSR activities. Table 4 presents data to study the key CSR initiatives of the public and private sectors of the Indian Economy.

Table 4 :Direction Of CSR Initiatives - Public Vs Private Sector

Sl.No.	Item	Public Sector	Private Sector
1.	Rural Development	✓	✓
2.	Health Care	✓	✓
3.	Education	✓	✓
4.	Micro Finance	-	✓
5.	Child Welfare	-	✓
6.	Disaster Management	-	✓
7.	Community Development	✓	✓
8.	Women Empowerment	✓	✓
9.	Environment Protection	-	✓
10.	Infrastructural Development	-	✓

Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org

It is evident from the Table 4 that there are several missing links in the CSR initiatives of the public sector. They generally focus on few areas such as rural development, education, community development, environment protection. The private sector, on the other hand, is found active in all the 10 focus areas of CSR. The generally lower profitability of many of the public sector undertakings may be the factor that prevents them from expanding their CSR initiative to a wide spectrum of activities. Table 4 analyses the relative importance of various CSR initiatives in both sectors of the economy.

Table 5 : Relative Importance Of CSR- Public Vs Private Sector

Sl.No.	Item	Public Sector	Private Sector
1.	Rural Development	14%	19%
2.	Health Care	14%	44%
3.	Education	43%	65%
4.	Micro Finance	-	8%
5.	Child Welfare	-	17%
6.	Disaster Management	-	19%
7.	Community Development	14%	18%
8.	Women Empowerment	14%	17%
9.	Environment Protection	-	31%
10.	Infrastructural Development	-	6%

Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org

It is clear from the Table 5 that both sectors mainly focus on education. Next to education, PSUs give equal priority to rural development, health care, community and women empowerment activities. On the other hand, in the private sector, health care and environment protection represent the 2nd and 3rd important focus area of CSR initiatives. Let us now explore the beneficiary groups of the CSR initiatives of the Public sector and Private sector.

Table 6 : Beneficiary Groups Of CSR -Public Vs Private Sector

S.No.	Item	Public Sector	Private Sector
1.	Employees	-	1 (2%)
2.	People within the vicinity	3 (42%)	9 (43%)
3.	Society at large	0	1 (4%)
4.	Group 2 x 3 together	5 (58%)	11 (51%)
	Total	8	22

Source: Compiled from Karmayog CSR rating 2008 www.karmayog.org

An inter sectoral study of the beneficiary groups in the CSR is presented in the above Table 6. It is evident from the Table 6 that both sectors focus on both their CSR projects - people in the vicinity and society at large. A comparative study shows that the focus on this segment is marginally lesser in the private sector. Employees did not figure among the CSR beneficiaries of the public sector. In the private sector, some attention is given to employees (2%). Another marked feature of CSR spending of the private sector is higher allocation towards people in the vicinity (43%), which is marginally higher than that of the public sector. The inter sectoral study reveals that no

significant difference exists between the public and private sectors with regard to the target groups of CSR spending.

CONCLUSION AND POLICY RECOMMENDATIONS

The view that business organizations can have obligations other than usual commercial roles is gaining popularity in the globalization and liberalization initiatives in different parts of the world. Managers are designing innovative strategies to survive in a competitive environment. CSR is now considered as a strategic weapon to ensure growth and survival. Unlike other strategic tools that focus internally, CSR is externally focused to ensure survival by maximizing stakeholder welfare. The forgoing analysis of the CSR initiatives of the Indian corporate sector has unearthed several innovative practices followed by the Indian corporate world. It has also unearthed some grey areas in CSR implementation. The main findings of the study are listed below :

1) Among the 10 different CSR initiatives, health care, education and community development are commonly pursued by companies across different sectors. As against these, micro finance and child welfare and women empowerment have not received sufficient attention by the Indian companies. There exists inter sectoral differences with regard to the relative importance of various CSR activities practiced in Indian companies. Among the 10 different CSR activities, education and health care generally received top priority among companies at the inter sectoral level. The least priority area include infrastructure development and micro finance. The beneficiary analysis revealed that employees and society at large are the least focused areas among the corporates across different sectors of the industry. Most of the beneficiaries belong to the people in the immediate vicinity.

2) A public and private sector comparison of the CSR revealed that there are several missing links in the CSR initiatives of the public sector. The public sector generally focus on few areas such as rural development, education, community development, environment protection. The private sector on the other hand has diversified their CSR initiatives to include several activities. An inter sectoral study of the beneficiary groups in the CSR revealed that public sector undertakings focus both on people in the vicinity and society at large in their CSR projects. The focus on this segment is marginally lesser in the private sector. Employees did not figure among the CSR beneficiaries of the public sector. Greater amount of transparency and standardization may be brought in for CSR reporting by companies by introducing suitable amendment in relevant legislations by regulatory agencies. There is a general feeling that CSR projects of companies may not be successful as companies lack expertise in managing social projects. Therefore, instead of managing and implementing CSR projects individually, companies pool their CSR funds and float NGO's to carry out social projects. This will relieve companies from diverting attention to non core areas and bring efficiency in CSR projects. Since CSR is not mandatory, companies should be motivated by the Government to set aside a part of their funds for socially responsible projects. Tax incentives, recognitions etc., may be considered as motivators in this regard. Special incentives for funds set aside for government sponsored programs such as NREGP etc., will be helpful for channelizing private and public sector funds for planned development of the nation.

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