



## Corporate Social Responsibility-Studying Indian Scene of Elite CSR Spending

HIREN RAVAL  
Assistant Professor,  
Gyanyagna College of Sci. & Management,  
Atmiya Group of Institutions  
'Shivdhara' 3 Akshar Nagar, Gandhigram, Rajkot  
Gujarat (India)

### Abstract:

*India is a country of numerous contradictions. As India has grown to be one of the largest economies of world and emerging as a global player on one hand and home to largest number of people living in absolute poverty. The scene that emerges is of uneven distribution of benefits of growth is the root cause of social unrest. Large corporate houses have created this scene of uneven distribution of Income and wealth. Corporate houses thus try to contribute wellbeing of community and society they influence and on which they depend. Effort in this research has been made to be familiar with elite Indian corporates and their spending.*

The objectives of this study are:

1. Understanding corporate social responsibility.
2. Understanding the need of CSR.
3. Evaluating Indian corporate houses with CSR yardstick.
4. Evaluating Indian scene.

The Sources of the data:

Research paper has studied the aspect with help of secondary data by using

1. Research papers on CSR
2. Web portals (Specifically [indiacr.in](http://indiacr.in))
3. CSR10 - India Index – 2012
4. Handbook on Corporate Social Responsibility

**Keywords:** Corporate social responsibility, society, stake holders, theater, Elite, Indian economy.

### 1. What is Corporate Social Responsibility?

Corporate Social Responsibility is a management concept where by companies integrate social and environmental concern in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environment and social imperatives (Triple Bottom Line Approach), while at the same time addressing the expectations of shareholders and stakeholders.<sup>1</sup> A company's sense of responsibility towards the community and environment in which it operates. Companies express this citizenship 1) through their waste and pollution reduction process 2) by contributing educational and social programs 3) by earning adequate returns on employed resources.<sup>2</sup>

Companies' CSR activities are typically divided among three theaters of practice.<sup>3</sup>

#### 1. Theater one - Focusing on Philanthropy

The objective under theater one program is of philanthropy and programs do not aim at producing profit or improving business performance. For ex. Donation or charity of money or required equipment to hospitals or social organization.

## 2. Theater two – Improving operational effectiveness

Programs or functions under this theater function within existing business models to cater social or environmental benefits in ways that can support society as well as companies' performance which may result in improving efficiency and effectiveness. These program may or may not help company to increase revenue or reduction in cost. For ex. Working towards carbon emission, improving employee working conditions and caring for their health, providing quality products and services.

## 3. Theater three – Transforming business model

Programs under this theater aim at creating new paradigm for doing business specifically connecting business with social and environmental problems or challenges. For ex. Project Shakti of Hindustan Unilever focused on empowering women by recruiting village women and arranging micro finance for them and making them capable of selling Hindustan Unilever's product door to door. More than 65000 women entrepreneurs got job and Project Shakti achieved \$ 100 Million sales. Same as IKEA furniture manufacturers of Sweden guided even supply chain to be 100% sustainable by 2020. They have even altered their designs and devise new models for collecting and recycling used furniture.

## 2. Review of Literature

Dean Roy Nash (2012) studied "CSR : contributions of Maharatna Companies of India" & found that the commitment that has been really made by these companies in the CSR area. The Indian corporate sector is getting tough on CSR spending. It is more likely that CSR spending will be made mandatory in the coming 2012 budget. The gap between public and private companies with regard to CSR spending will be narrowed shortly. In this context the CSR activities of all Maharatna companies should be taken as ideal example and motivator by other corporates who wish to indulge sincerely in CSR activities of the country.<sup>4</sup>

Rajeev Prabhakar and Ms. Sonam Mishra (2013) studied "A study of Corporate Social Responsibility in Indian Organization: An-Introspection" & concluded that Corporate sustainability is an evolving process not an end. The company's bill is good initiative on the part of the government however what would be included in, spending on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. 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.<sup>5</sup>

Eliza Sharma & Dr. Mukta Mani (2013) analyzed "Corporate Social Responsibility: An Analysis of Indian Commercial Banks" & the analysis shows that tough the Indian banks are making efforts in the CSR areas but still there is requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.<sup>6</sup>

## 3. Indian Scene of Elite CSR spending

Figures of selected companies are taken for each company is taken from its Annual Report for 2011-12. These figures i.e. mandate 2% amount is compared with the current Spending. The profit after tax (PAT) and CSR spend amounts are in INR millions.

Company	PAT 11'12	CSR Spend 2011'12	2% of PAT 2011 – 12	Variance	CSR Variance Rank
Tata Steel	53,898	1460	1078	382	1
L & T	44,565	700	891	- 191	2
Reliance Ind.	1,97,240	2,880	3,945	- 1,065	3
Hindalco Ind.	33,970	280	679	- 399	4
Bharti Airtel	42,954	330	859	- 529	5
M & M Ltd.	28,790	220	576	- 356	6
MarutiSuzuki	16,352	120	327	- 207	7

<b>TCS</b>	1,04,135	510	2,083	- 1,573	8
<b>ICICI Bank</b>	76,429	240	1,529	- 1,289	9
<b>Tata Motors</b>	1,35,165	150	2,703	- 2,553	10

(Source: CSR 10 Index 2012, [www.fundraisingindia.org](http://www.fundraisingindia.org); May 2013)

Effort in the research has been made to access mandatory amount and actual amount spending of the selected companies. Smaller the variance would ensure better rank of company. It is noted that only Tata Steel has more spending that amount mandated. All other companies fail even to spend equivalent amount mandated. Its really poor picture of CSR spending in past years than expectations from corporate to discharge social responsibility. Actually speaking, bigger the companies' amount of profit after tax, greater is the responsibility of the company to commit themselves to community. It is because seriousness of leaders of Industry will encourage others to commit themselves towards community. Realization is needed by the company to integrate themselves with the society and other stakeholders. Two companies of Tata flash contradiction in the table because Tata Steel is going well in CSR spending but on the other hand Tata Motors stands at last in selected bunch of corporates. Even well-known companies having credit worthiness fall short of expectations of community.

Another effort has been made to integrate the rank of CSR spending with ranking of Fortune India rankings in terms of profitability. Analysis is made to access how profitable company is and how company performs in terms of CSR spending. Again contradiction is noted from the below given table.

<b>Company</b>	<b>CSR 10 India Index Score</b>	<b>Fortune 500 India Rank</b>
<b>Tata Steel</b>	1	3
<b>L &amp; T</b>	2	7
<b>Reliance Ind.</b>	3	1
<b>Hindalco Ind.</b>	4	4
<b>Maruti Suzuki</b>	5	8
<b>M &amp; M Ltd.</b>	6	10
<b>Bharti Airtel</b>	7	6
<b>TCS</b>	8	9
<b>ICICI Bank</b>	9	5
<b>Tata Motors</b>	10	2

(Source: CSR 10 Index 2012, [www.fundraisingindia.org](http://www.fundraisingindia.org); May 2013)

Tata steel ranks 3<sup>rd</sup> in Fortune India list still it is appreciable that they rank 1<sup>st</sup> in terms of CSR spending. On the other hand, Reliance stands at 1<sup>st</sup> in Fortune India list but manage with 3<sup>rd</sup> rank in CSR spending. Notable example is of Mahindra & Mahindra, as they stand 10<sup>th</sup> in Fortune India list but they stand 6<sup>th</sup> in CSR spending list. Tata Motors again go with contradiction, as enjoying 2<sup>nd</sup> rank in Fortune India list but stand at 10<sup>th</sup> in CSR spending list. So, research on CSR spending of Elite Corporates refer to mix bag of sunny as well as gray scene of India in terms of CSR spending.

#### 4. Limitations

1. Research has been undertaken for selected corporates.
2. Research reflects general picture rather specific functional activities under CSR.
3. Research still leaves more room for further study under head of CSR at ground level.
4. Research is based on secondary data so further scope is left to know real picture.

#### 5. Conclusion

Especially Indian economy is growing and creates optimistic view to be economic power house in next few years. Still it's all about economy and economic growth. Questions remain unanswerable that how far Indian economy will justify social development. Economic equalities still need to be addressed precisely for being healthy nation. Corporate Social Responsibility can be the tool kit to address this

problem in extended manner. Legislation or amendments in Companies Act can work better but willingness of corporate matter most when it comes to voluntary aspect of discharging social responsibility. After all corporate are integral part of society but Society is inevitable supporter for companies' success. It can be said with reference to India that "It is better to be late than never".

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