



A Glance into Corporate Social Responsibility in Indian and Budding Economies

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Abstract:

In modern existence, researchers and administrators have dedicated significant concentration to the strategic insinuations of corporate social responsibility (CSR). Unswerving with McWilliams and Siegel (2001), CSR can be defined as circumstances where the business firm goes further than conformity and acts to supplementary some social excellent, away from the interests of the business firm and that which is obligatory by commandment. CSR activities have been posited to embrace integration of social characteristics into products and manufacturing progressions, approving progressive human reserve management practices (promoting employee empowerment), attaining higher levels of ecological recital through recycling and pollution abatement (plummeting emissions), and advancing the ambitions of centre of population organizations. In this framework I have premeditated the hypothetical aspect of CSR including the Global Reporting proposal and CSR Legislation standards and also considered few precise cases of CSR activity and CSR infringement in India.

Keywords: *Corporate Social Responsibility Reporting, Global Reporting proposal*

1. Introduction

The globe cannot get out of its existing state of predicament with the equivalent thinking that got it there in the initial place. World Business Council for Sustainable Development characterizes Corporate Social Responsibility (CSR) as “The progressing obligation by industry to act courteously and donate to financially viable development while getting better the eminence of life of the workforce and their families as well as of the neighbouring centre of population and the social order at large.” CSR can be as a result be simply defined as the supplementary assurance by businesses to perk up the social and economic standing of an assortment of stakeholders caught up while fulfilling with all lawful and economic needs. The three chief rudiments of CSR are merchandise use which focuses on donation of industrial products which lend a hand in fine being and quality of existence of the society, business preparation which focuses on first-class corporate governance and gives high momentum for the environmental even-handedness which endeavours for allocation of profits justifiably crosswise dissimilar societies in particular the congregation community. CSR has a significant role in controlling the perils of uncontrolled development, satisfying the needs of the present generation and at the same time ensuring that the resources of future generations is not jeopardized. One of the most important concerns of CSR should be the excellence of industrial relations within a corporation.

2. Need for Corporate Social Responsibility

The recent tendency of globalization has prepared the business firms comprehend that in command to fight efficiently in a bloodthirsty environment they necessitate evidently defined business

practises with a resonance focus on the community attention in the markets (Gray, 2001). Firstly, the augment in antagonism in the midst of the transnational companies to put on first mover pro in an assortment of developing countries by creation of benevolence relationships with in co-operation with the state and the civil the social order is sufficient demonstration to this conversion.

- Secondly, in mainly most of the budding markets, the state has a sense of duty of defending the interests of the wide-ranging public and hence gives penchant to companies which take concern of the interests of each and every one of the stakeholders.
- Thirdly, up-and-coming markets have been recognized as a foundation of gigantic aptitudes with the increasing levels of learning. For instance, the know-how of India in tossing out software professionals and China in manufacturing has now become internationally well-known.
- Fourthly, business firms all over the globe are beginning to take hold of the significance of insubstantial assets, be it brand name or workers self-esteem.
- Fifthly, CSR is a vital feature for workers motivation and in drawing and preserving pinnacle class employees as well. Modernization, ingenuity, intellectual capital and scholarship are helped by a constructive CSR stratagem.
- Sixthly, enhanced risk management can be achieved by in detail investigation of relations with peripheral stakeholders.

3. Corporate Social Responsibility in the Light of Globalization

With globalization, it seems the negative consequences of businesses have intensified, as has the public call for corporate responsibility. Paradoxically, today, business firms are not just considered the “bad guys”, causing environmental disasters, financial scandals, and social ills. They are at the same time considered the solution of global regulation and public goods problems as in many instances state agencies are completely unwilling to administer citizenship rights or contribute to the public good. The global framework of rules is fragile and incomplete. Therefore, business firms have an additional political responsibility to contribute to the development and proper working of global governance. Considering the legal and moral rules of nationally bound communities as the point of reference for corporate legitimacy becomes a challenge against the background of a globally expanded corporate playing field (Palazzo and Scherer 2006). Obviously, there are no globally enforceable legal standards or broadly accepted moral rules that might circumscribe the legitimate activities of multinational corporations. CSR and Legislation With globalization an increasing number of companies are already focusing voluntarily on CSR issues, but it is clear, in the light of the poor corporate governance that resulted in both the Enron and World Com debacles, that some further form of legislation is necessary. A balance has to be made between no regulation and full regulation.

4. Advantages of Legislation

- It would help to avoid the excessive exploitation of labour, bribery and corruption. Companies would know what is expected of them, thereby promoting a level playing field.
- Many aspects of CSR behaviour are good for business (such as reputation, human resources, branding and making it easier to locate in new communities) and legislation could help to improve profitability, growth and sustainability.
- Some areas, such as downsizing, could help to redress the balance between companies and their employees. Rogue companies would find it more difficult to compete through lower standards.
- The wider community would benefit as companies reach out to the key issue of underdevelopment around the world.

5. Disadvantages of Legislation

- Additional bureaucracy, with rising costs for observance.
- Operation costs could rise above those required for continued profitability and sustainability.

- Critics say that the CSR of companies is simply to make a profit, and legislation would increase the vocalization of these concerns.
- Reporting criteria vary by company, sector and country, and they are in constant evolution.

6. Global Reporting Initiative

The Global Reporting Initiative (GRI), convened in 1997, was established to improve sustainability reporting practices, while achieving comparability, credibility, timeliness, and verifiability of reported information. The Guidelines, first released in June 2000, revised in 2002 with a revision due during 2006, seek to develop globally accepted sustainability reporting guidelines. These guidelines are also voluntary and are used by organisations in reporting on the economic, environmental, and social dimensions of their activities. Approximately 1000 organisations worldwide incorporate the GRI's Guidelines into their reporting. Some Indian companies which report as per GRI guidelines are ABN Amro Bank NV, ACC Ltd, Dr. Reddy's Laboratories Ltd, ITC Ltd, Reliance Industries Ltd, Shree Cement Ltd, Tata Consultancy Services, Tata Steel Ltd, Tata Tea Ltd and others. Globalisation and the significant growth and influence of the private sector have highlighted issues such as CSR and the regulation of MNEs. Despite these initiatives, there still remains a gap in legal accountability of CSR practices, particularly in relation to MNE operations in jurisdictions outside their home state. To maximise the benefits of international investment corporations must operate within a clear framework of governance, underpinned at national and international level by law and regulation enforceable either by the company's home state or by a court of international standing, e.g., the International Court of Justice. In addition national laws should be widened to enable corporations to be held accountable for inappropriate conduct, in jurisdictions outside their home state.

7. CSR - The Indian Scenario

Corporate Social Responsibility in India is finally a „reality“. Indian businesses realized they have to look not only at the economic dimension of their company, but also at its ecological and social impact – the three pillars of CSR. However, to become a planned strategy integral to business success, Indian companies have lot of catching up to do. CSR is also linked to the broader issue of “Corporate Governance. Needless to emphasize that Indian companies have to take a closer look at CSR and link it to corporate governance, if they really want to make a mark in all the three pillars of CSR.

According to a recent pilot survey by CII in Tamil Nadu, (Express Buzz) only 40 per cent of the companies practice CSR initiatives. The pilot survey, highlighted that a majority of the companies did not take CSR seriously and those who did, did it only with a philanthropic frame of mind. The pilot survey also revealed that more than 50 per cent of the companies made their employee welfare activities as part of their CSR initiative, not really contributing to an outside community or its development. Sustainable CSR programmes mean a cohesive mix of economic, legal, ethical and philanthropic tenets. In today's changed business scenario, there is an increased focus on giving back to society and creating a model which works long term and is sustainable and it is imperative that the best practices for inclusive growth are shared with the stakeholders.

8. Violation of CSR Principles in India

A few cases recent rash of scandals involving major corporate giants throughout the world have brought to the attention of public and academia the need to analyze these issues. Coca Cola: The plant at Plachimada was alleged to have exploited the ground water resources leading to drying up of wells and other natural water resources in the area. The entire region, which was a thriving agricultural land, had to rely on water supplied by tankers. Coca Cola was drawing 1.5 million litres/day from the common groundwater resource. However due to inherent water scarcity the company is able to extract only 800,000 litres from the bore wells. The company drew water from

the nearby villages to compensate for the lack of availability causing parched lands of more than 2000 people residing within 1.2 miles of the factory (Jayaraman, 2002). The Coca Cola Company had to deal with protests from the local community and supporting environmental conservation groups. Adding to the water exploitation, Coca Cola was accused of supplying poisonous waste as fertilizer to the local farmers. Tests done by an independent agency on the behalf of BBC showed that the sludge contained high levels of Lead and Cadmium (Srivastava, 2004). The sludge, which was disposed off in open ground, ran along with rainwater to the natural water resources. The contamination caused by the sludge has allegedly caused allergic symptoms and perpetual headache to the local population. Tests also show that the water available in the wells is contaminated and unsuitable for consumption (Iype, 2003). The company had to face similar accusations from various parts of the country. Campaigns for boycott of products of Coca Cola. The government of Kerala also ordered the stopping of operations of the plant at Plachimada to safeguard the interests of the local community. There were campaigns for international boycott of Coca Cola's products (Atlanta IMC, 2003). In India the protests were also directed against MNCs in general, as there were demands for irresponsible MNCs to leave the country. Coca Cola responded to these by litigations in the court and applying pressures through its power centres in US. Public Relations agencies were hired to neutralize the situation. The company also issued releases which mentions about its socially responsible behaviour and good corporate citizenship. The case clearly shows that emerging markets can respond and protest against irresponsible behaviours of MNCs and that emerging markets might have loose laws, which do not protect the interests of the local population, or laws that are not implemented properly.

9. Indian Companies Setting Standards

Few Companies which are setting standards in CSR and are leading by example are ABN AMRO Bank NV (India), ACC Ltd, Accenture Services Pvt Ltd, Ashok Leyland, Bajaj Auto Ltd, Bharat Heavy Electricals Ltd, Bharti Airtel Ltd, Dr Reddy's Laboratories Ltd, Ford India Ltd, Grasim Industries Ltd, HDFC Bank Ltd, Hindustan Lever Ltd, Housing Development Finance Corporation, Icici Bank Ltd, Infosys Technologies Ltd, ITC Ltd, Jubilant Organosys Ltd, Kansai Nerolac Paints Ltd, Larsen & Toubro Ltd, Mahindra & Mahindra Ltd, Maruti Udyog Ltd, MSPL Ltd, National Thermal Power Corporation Ltd, Nerolac Paints Ltd, ONGC, Reliance Communications Ltd, Reliance Industries Ltd, Sesa Goa Ltd, Sharp India Ltd, Sony India Pvt Ltd, SRF Ltd, SBI, SAIL, Tata Consultancy Services Ltd, Tata Motors Ltd, Tata Steel Ltd, Tata Tea Ltd, Tata Group, Tata Iron and Steel Co Ltd, Toyota Kirloskar Motor Pvt Ltd, Wipro Corporation, Yes Bank Ltd and others.

10. Objective and Scope of the Study

As on date it is not mandatory for all companies to invest in CSR and more so disclose their investment or budget details pertaining to CSR. Though few companies have taken up the Global Reporting Initiative, there is still a large gap between the recommended and the actual practice. It had been recommended by Karmayog, an NGO dedicated to CSR activities of companies, that at least 0.2% of the Annual Sales of a Company be invested in CSR related activities. There are some companies who do that and more and also disclose their initiatives. However there is a plethora of companies who still don't meet this requirement. In this context it becomes relevant to study and analyse whether there is any significant correlation between the CSR investment and sales of the companies I have studied. This study can be further taken up in details in sector specific companies and the impact of CSR activities on sales and vice versa can help researchers understand the changing face of CSR in the society.

11. Research Methodology

I have taken a sample of 9 companies at random from different sectors and collected the details of their annual sales figure. The companies are GAIL (India) Ltd, Gujarat Flour chemicals Ltd, Hindustan Copper Ltd, Larsen & Toubro Ltd, Mahindra & Mahindra Ltd, Mahindra Ugine Steel

Company Ltd, Mangalore Refinery And Petrochemicals Ltd. , National Aluminium Company Ltd. , Oil & Natural Gas Corporation Ltd. The actual investment that these companies have made in CSR activities in 2007-08 was considered as a benchmark. I have assumed that this investment remains constant over the study period of 2007-2010. Based on this I have tried to find a correlation between the annual sales and CSR investment of these companies. I have used Pearson's Correlation (2 Tailed) test to study the relationship between CSR investment and the Sales of sample. The alpha level was kept at 1%. Null Hypothesis H₀: There is no correlation between Actual investment in CSR activities and Actual Sales figure of the companies. Alternate Hypothesis H₁: There is a correlation between Actual investment in CSR activities and Actual Sales figure of the companies.

12. Findings and Interpretation

As per the results of the Pearson's Correlation Test performed on the sample the following interpretations can be arrived at: 1. There is a significant positive correlation between the Actual Amount of Investment in CSR activities made by the sample companies in 2007-08 and the Actual Annual Sales of these companies in 2007-08 and 2008-09. In the first case the Pearson's Correlation Coefficient is 0.837 and in the latter its 0.890, thus is significant at 0.01 level of confidence. Thus the null hypothesis was rejected as the p values in the cases were less than 0.05. Thus it can be said that there is a positive linear relationship between the sales in 2007-08 and 2008-09 with the CSR investment made in 2007-08 in the sense that as an increase in sales may lead to increase in CSR activities and vice-versa (Table 1). 2. There is a significant positive correlation between the Actual Amount of Investment in CSR activities made by the sample companies in 2007-08 and the Actual Annual Sales of these companies in 2009-2010. In this case the Pearson's Correlation Coefficient is 0.957. Thus it can be interpreted that in the year 2009-10 the actual annual sales was strongly correlated to the CSR investment made in 2007-08 which has been considered as a constant benchmark (Table 2).

13. Conclusion

It is clear from the above results that there is a correlation between Sales and CSR Investment. More companies need to start disclosing their CSR Investment to help us understand the impact better. CSR has a wide-ranging effect across the globe especially in emerging markets. As discussed in this paper, in India CSR is still at a very nascent stage. Corporate leaders and their general counsels have to give compliance issues a higher priority as they recognize the risk of increased scrutiny on the legal angle of their global operations. Companies report legal compliance, making a stronger indicator of actual working conditions. The socially responsible investment community would do well to separate out legal requirements and form one assessment on these, and then evaluate a company on "beyond compliance" issues. Legislation also needs to be made more universal (with certain culture specific modifications). Most importantly, a regular monitoring of a company's CSR activity is required both by the state and by the company itself. Upper management must be persuaded to support not only CSR goals, but regulatory recommendations as well especially regarding disclosure of CSR investment. Every company (especially MNCs) needs to emphasize on CSR activities to strengthen their market position, improve goodwill and thereby profitability and last but not the least to give back something positive to the society and environment.

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