

Corporate Social Responsibility Initiatives in Indian Companies

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Abstract

This paper attempts to highlight the role of corporate social responsibility as a means to know what the Indian business does, over and above the statutory requirement, for the benefit of the society. Corporate social responsibility involves all those activities and social actions which a firm undertakes 'beyond the factory gate' and benefits the society in general.

In this context, some of the recommendations of the Committee of Public Undertakings (COPU) are presented to understand the present scenario of CSR in Public sector. On the other side, the activities undertaken in the Public and Private sectors are discussed to reveal that the social missions are part of the culture of Indian businesses.

A sense of social mission has resulted in successfully building brand image, retaining talent, community development, social projects and promoting the societal-value creation. This is true for companies such as Tata Group, Hindustan Unilever, ITC, Reliance, Infosys, Bharti Enterprises, Birla Group and Welcome group. In the Public sector, Oil India Ltd, Hindustan Petroleum Corp. Ltd, GAIL, NTPC, ONGC and others are also contributing considerably to the community development.

While it is true that the social needs are greater in India than in most other countries, the efforts of these companies to address them are nevertheless there for all to see that business social mission becomes integral part of its goal. Partnerships of public and private institutions and the government should feel the sense of social responsibility in their mission and programmes. CSR initiatives of Indian companies should become integral parts of overall business policy and aligned with business goals and their success stories.

Keywords: *Investment, Investment Behaviour, Income, Businessmen.*

Introduction

Profits are not the only purpose of a business activity; it is a means of building the business and rewarding employees, executives and investors. Social and environmental performances by the corporates are considered parallel with the financial performance. Corporates which fail to meet the requirements or expectations of the stakeholders and the wider societies will have implications on their reputation and results in shortcomings or limitations, thus undermining the very foundations of our free society and social responsibilities.

Industry in the 21st century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint venture in which workers, management, consumers, the locality, government and trade unions all play a part. If the system we know by the name of private enterprise is to continue, then some way must be found to embrace many interests which go to make up industry in a common purpose. The private property must be used for the common good.

There is now a growing acceptance that business should be socially responsible in the sense that the business enterprise, which makes use of the resources of society and depends on society for its functioning, should discharge its duties and responsibilities in enhancing the welfare of the society of which it is an integral part.

Corporate Social Responsibility

CSR is understood as the obligation of the decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interests. CSR makes a corporation accountable for any of its actions that effect people, their communities and their environment. The activities and social actions which a firm undertakes 'beyond the factory gate' and benefits the society in general refer to CSR. CSR actions refer to establish a positive company reputation and brand in the public eye through good work that yields a competitive edge, while at the same time contributing to others.

CSR is the commitment of business to contribute to sustainable economic development, working with employees and their families, the local community and the society at large to improve their quality of life in ways that are good for business and good for development. CSR refers to the operations of a business that meet or exceed the ethical, legal, commercial and public expectations that society has of business. CSR is meant to know what the business does, over and above the statutory requirement, for the benefit of the society. The word responsibility connotes that the business has some moral obligations to the society.

Sustainability Development and CSR

The term Sustainable Development (SD) was used for the first time, at the United Nations Conference on the Human Environment in Stockholm in 1972. However, a working definition of SD was coined in 1987 with the publication of 'Our Common Future', popularly known as the Brundtland Report of the World Commission on Environment and Development. The Commission's definition, since widely adopted, was: "Development as the means to satisfy the needs of present generations without compromising the resources of future generations". Sustainability, the Commission argued, includes not only economic and social development, but also a commitment to the needs of the poor and recognizing the physical limitations of the earth.

The World Business Council for sustainable development states, "Corporate' social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." Thus, Corporate Social Responsibility (CSR) or 'sustainability' is not just obeying

the law. It is not philanthropy. It is much beyond that. It implies serious business where organisations have to be seen as partners in their communities and not just as profit centres, but as businesses having obligation towards various stakeholders.

Auditing and reporting on CSR to demonstrate good business citizenship is gaining significance. The drivers pushing business towards CSR are – Shrinking Role of Government; Demands for Greater Disclosure; Increased Customer Interest; Growing Investor Pressure; Competitive Labour Markets; and Supplier Relations. “Sustainability reporting has become a common practice in a number of countries like the USA, Europe, Japan and Australia. Sustainability reporting is yet an emerging stage in Asia, Latin America, Africa and Russia.”. Although in India, sustainability reporting is not mandatory, low but significant, subsidiaries of transnational companies as well as local Indian companies have started reporting on CSR.

The prominent CSR reporting standards are Account Ability’s AA1000 standard, based on John Ellington’s triple bottom line (3BL) reporting; Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines; Social Accountability International’s SA8000 standard and The ISO 14000 environmental management standard. In India companies like Tata group, Dr Reddy’s laboratories, Ford India Limited, Paharpur Business Centre, Jubilant Organosys, ITC, etc are largely using GRI guidelines while reporting.

Analysis of CSR in Public Sector Enterprises in India

The Committee of Public Undertakings (COPU) in 1992 examined the issues relating to social obligation of central Public Sector Enterprises and observed “being part of the State, every PSE has a moral responsibility to play an active role in discharging the social obligations endowed on a welfare state, subject to the financial health of the enterprise”. Based on the recommendations of the COPU, Dept. of Public Enterprises issued general guidelines in Nov.1994 to devise socially responsible practices in accordance with their Articles of Association, under the general guidance of their respective Administrative Ministry / Depts.

The review was on the 28 PSUs in selected sectors viz. Oil & Natural Gas Sector, Coal, and Power Sectors towards CSR. The study report was published during 2009-10.

- The focus of the review was on the following aspects:
 - CSR Policy
 - System of Planning for CSR activities
 - System of fixation of targets for CSR activities
 - Budget allocation and budget utilization for CSR activities
 - Monitoring mechanism for implementation of CSR activities.

Some of the findings of the report are summarized below:

- Oil India Ltd. formed Community Development Committee / Steering Committee for planning CSR activities.

- Hindustan Petroleum Corp. Ltd planned CSR projects with the help of operating Partner Non-Government Organisations by signing MoUs.
- GAIL (India) Ltd, IOL Ltd, fixed thrust area wise targets with the help of its officials in consultation with local/district authorities.
- NTPC Ltd dedicated CSR Cell, with the responsibility for policy matters, process of allocation of funds etc.
- Bharat Petroleum Corp... Ltd planned CSR projects based on the requests from local self-government bodies like Panchayats, Municipalities, Corporations & NGOs.
- The Oil & Natural Gas Sector Companies made the budget allocations for CSR activities as per the policy directions of their respective Ministries.
- Coal companies provided 1 rupee per tone of coal produced for CSR activities.,
- Oil & Natural Gas Sector provided 2% of the profits for CSR activities.
- Bokaro Power Supply Co.(P) Ltd, and Power Finance Corp.. Ltd had no budget allocation for the year 2007-08 in respect of CSR activities.
- NTPC Ltd had a policy of earmarking 17 crores every year for CSR activities. But the actual amount spent during 2007 – 08 was Rs.7.59 crore which was short by Rs.6.42 crore.
- In power sector the utilization of budget amount ranged from 16.67% to 51.98%.
- There was no monitoring mechanism in Nuclear Power Corp of India Ltd, except reviewing the compliance on the projects forwarded by the site/station by a committee at the corporate office.
- Bharat Petroleum Co. Ltd reviewed the projects regularly depending on the nature of the activity.
- For the 28 companies the total budget allocation was 177 crore, of which 145 crore was actual expenditure while the unutilized amount was about 37 crore.

Culture of Social Mission in Private Corporate Business in India

To-day in India we find the social missions that have become part of the culture of Indian businesses. The social mission for Bharti Airtel, for example, was to get cell phones into the hands of the hundreds of millions of people in India who otherwise had no way to communicate with each other. Tata Motors had a similar goal with respect to providing low-cost transportation in the form of the Nano. The social mission of the pharmaceutical and healthcare company, Dr. Reddy's, is to address the unmet medical needs of the poor in India as well as around the world. Hindustan Unilever's "Project Shakti" uses microfinance principles to create a sales force in the poorest regions of the country.

ITC, a leading conglomerate, made the following statement in describing the company's purpose. "Envisioning a larger societal purpose has always been a hallmark of ITC. The company sees no conflict between the twin goals of shareholder-value enhancement and societal-value creation. ITC developed a rural initiative called Mission Sunehra Kal that has reached five million people using

knowledge portals to help farmers to band together to negotiate with suppliers, to find job opportunities for women and expand education. Virtually every major Indian company has similar efforts under way.

A large proportion of the profits of the Tata Group companies, for example, go to its charitable foundations and back into Indian society. This brand building through community work has proven invaluable for recruiting and retaining employees at Tata Steel and elsewhere. The Godrej Group has constructed schools, medical clinics, and living facilities for employees on a scale unknown in American companies. The list goes on. Dr. Reddy's guaranteed to meet the healthcare needs of 40,000 children. Infosys has built and staffed entire hospitals rolled out a nationwide curriculum for school-age students (in part to improve its future applicant pool) and engaged in hundreds of other social projects, all in the same year.

A sense of social mission and purpose is one of many characteristics of the India way that has resulted in the incredible success of Indian businesses throughout the years.. Nearly all leading corporates in India are involved in corporate social responsibility (CSR) Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others programmes in the areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society..

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries giving increasing importance to corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009.

According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development.

According to the Minister for Corporate Affairs, one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits which are given to companies for green initiatives. Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility.

Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits. As per the guidelines, companies with net profit of less than US\$ 22.5 million will earmark 3-5 per cent of profit for CSR, companies with net profit of between US\$ 22.5 million - US\$ 112.5 million, will utilize 2-3 per

cent for CSR activities and companies with net profit of over US\$ 112.5 million will spend 0.5-2 per cent of net profits for CSR.

Areas of CSR in Corporate Policies

1. Socio-economic disparities
2. Community rights
3. Non-discrimination / equal opportunity
4. Relationships with business partners
5. Customer relations
6. Employee welfare
7. Compliance with all regulations
8. Health, Safety and Environment
9. Ethics
10. Requirements of International Conventions
11. Gender rights
12. HIV/AIDS related issues
13. Human rights
14. Corporate volunteering
15. Sustainable development
16. Protection of stakeholders interests.
17. Charitable contributions, etc

Partnership in the Typical Areas of CSR

Through the means of partnership a wide range of training, coaching, consultancy and research services can be offered to move towards sustainability, governance and social innovation. The relationship between NGOs and the business sector though a difficult one, needs to manage these affairs successfully. As far as the upliftment of communities, generation of employment opportunities and economic growth is concerned, the government alone cannot attain success. Substantial degree in the discussion of CSR is necessary in the major Indian trade associations and national and local NGO's. Partnerships of public and private institutions and the government should feel the sense of social responsibility in their mission and programmes. This idea has yet to be understood and implemented in a better manner by the business sector in India.

Some of the areas for research, training, consultancy through Public and Private Partnership can be undertaken to further the cause of CSR. These include;

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| Consultancy for | • Sustainability policy and strategy |
| corporate | • Stakeholder engagement |
| responsibility and | • Sustainability and corporate responsibility reporting |

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| sustainability | <ul style="list-style-type: none"> • Non-financial risk management and futures • Sustainability audits and benchmarking |
| Training for responsible business | <ul style="list-style-type: none"> • Social Marketing Master class • Assessing materiality in CSR reporting • Business transparency and reporting • Measuring and Managing social impact • Responsible Business Master class • Green learning |
| Executive coaching | <ul style="list-style-type: none"> • Executive coaching for corporate responsibility and sustainability • Leadership development and high performance coaching • Team and individual coaching for sustainability |
| Research on business responsibility | <ul style="list-style-type: none"> • CSR and sustainability case studies • Responsible business features • Research reports |

Indian Government Guidelines for Corporate Governance and CSR

The Ministry of Corporate Affairs issued guidelines intended to encourage best practices in corporate governance and corporate social responsibility. Asserting that "the business sector also needs to take the responsibility of exhibiting socially responsible business practices that ensure the distribution of wealth and well-being of the communities in which the business operates," India's Ministry of Corporate Affairs issued Voluntary Guidelines for Corporate Social Responsibility, the intention of which is to encourage Indian corporations to acknowledge the need for observance of corporate social responsibility.

The guidelines were issued at the conclusion of the first India Corporate Week. Also introduced at the event were Corporate Government Voluntary Guidelines, which are intended to help create a "system of transparent and accountable corporate functioning." The CSR guidelines state that the CSR initiatives of Indian companies should become integral parts of overall business policy and aligned with business goals.

The guidelines set out six core elements for companies to address. Companies should engage with all stakeholders, including shareholders, employees, customers, suppliers, project affected people, and society at large, to inform them of inherent risks as well as strategies to mitigate them. In order to function in an ethical manner, companies should not engage in business practices that are abusive, unfair, corrupt or anti-competitive. The CSR policies of companies should fully respect the rights of workers in the areas of workplace environment, career

advancement, and freedom of association. Furthermore, companies should not employ child or forced labour, and should maintain equality of opportunities without discrimination..

Companies should adopt sustainable environmental policies that prevent pollution, recycle, manage and reduce waste, and manage natural resources in a sustainable manner. Corporate environmental policies should also address the challenges of climate change by adopting cleaner production methods and promoting energy efficiency and environmentally friendly technologies. Finally, "companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations."

In order to facilitate implementation of the CSR guidelines, "companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media," according to the report. The need for improved CSR performance was documented in a 2009 report from Karmayog, a Mumbai-based online organization, which found that while 51% of Indian companies practise CSR in some form, only 2% publish a separate sustainability report, and only 3% report the amount they spend on CSR.

Conclusion

It is a fact that social needs are greater in India than in most other countries and the efforts of the companies to address CSR should be held accountable. CSR is meant to know what the business does, over and above the statutory requirement, for the benefit of the society. The company should see no conflict between the twin goals of shareholder-value enhancement and societal-value creation.

The government can help the firms in participating in an active manner by developing the CSR code based on the laws and regulations of the country, leveraging capacity building so that the standards are implemented by the local businessmen, and ensuring that the reporting systems are accountable and transparent. Partnerships of public and private institutions and the government should feel the sense of social responsibility in their mission and programmes. CSR initiatives of Indian companies should become integral parts of overall business policy and aligned with business goals and their success stories. Dedicated funds and teams in the corporate business should continue to operate to meet the public expectations that society has of business and develop these practices as a culture in Indian business.

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