

6. Corporate Social Responsibilities: Policies And Practices

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Abstract:

Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities.

Keywords:

CSR Concept, CSR Scope, Key Drivers For CSR, CSR Need, CSR And India, Statistical Tools Used In CSR.

Introduction:

Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but

also based on the immediate and long term social and environmental consequences of their activities.

People relates to fair & beneficial business practices towards labor, the community and region where corporation conducts its business. Support from people (society) in business area is needed for corporate sustainability. As an integral part with society, corporation need to have commitment in giving optimum benefit to the society.

Planet refers to sustainable environmental practices. There is a causal relationship between corporations and planet. If corporations preserve their environment, environment will benefit them. A triple bottom line Co. does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals.

Profit is the economic value created by the organization after deducting the cost of all inputs including the cost of the capital tied up. It is the most important thing and also main objective of every business. Profit can be increased by improving work management through process simplification, by reducing inefficient activities, save processing and service time and usage of material as efficient as possible.

Corporate social responsibility is a commitment to improve the well - being of a community. It is not charity, but it is a core business strategy of an organization. It is a way which strikes a balance between economic, social and environmental imperatives.

Definitions Of CSR:

Corporate Social Responsibility has been defined by many authors and institutions in recent times.

At the global level, the concept of CSR was firstly mentioned in 1953 in the publication „Social Responsibilities of Businessman“ by William J. Bowen.

Bowen has suggested that the “social responsibility of businessman refers to the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.”

European Commission described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.

World Business Council for Sustainable Development defined CSR as “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.

According to Forbes (2010), corporate social responsibility works in two ways. The company gives back to the society, in turn, people get to know about the company who helped them most and cater to their products and services.

According to Infosys founder, Narayan Murthy, “Social responsibility is to create maximum shareholders value, working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment.”

Review Of Literature:

A literature review is a body text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources and as such do not report any new or original experimental work. Its ultimate goal is to bring the reader up to date with current literature on a topic and forms the basis for another goal such as future research that may be needed in the area. To design the present study in scientific manner, the researcher surveyed a good amount of research work and literature carried out in the area of corporate social responsibility. There are some of the reviews of the studies which had been previously undertaken in the field of CSR.

Omweno Nyameyio Enock & Dr. Kundan Basavaraji, Kuvempu University (2013) - Corporate Social Responsibility Of Tata And ITC Company: A Comparative Study:

CSR has been assuming greater importance in the corporate world in 21st century. Indian Government has drafted guidelines for CSR practices, which of late proposed companies to contribute a percentage share towards that cause (CSR). This study compares the CSR activities of Tata Company and ITC Company on different areas i.e. environmental friendliness, social accountability, employee’s safety, human rights promotion and healthcare etc. The study also focuses on the reporting methods used by these companies. From this study, it is observed that all the two big private companies of the country are directly engaged in social responsibility in various areas, from innovation in agriculture & education to saving the environment. It is concluded that environment, education, community involvement and health care activities practiced as CSR by both companies.

Bhupender & Vikas Kumar Joshiya, Assistant Professor, University of Delhi (2012) - Issues And Challenges Of Corporate Social Responsibility In India:

Over the time, CSR expanded to include both economic and social interests. Companies have become more transparent in accounting and display „public reporting“ due to pressures from various stakeholders. In this research paper CSR status, challenges of CSR, policies for CSR in India are studied. The concept of CSR is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. Many positive outcomes can arise when businesses adopt a policy of social responsibility.

Anupam Sharma and Ravi Kiran, School of Behavioural Sciences and Business Studies, Thapar University, Patiala, India (2012) - Corporate Social Responsibility Initiatives Of Major Companies Of India With Focus On Health, Education And Environment In India,

Many firms have taken the initiatives of CSR practices which have met with varying needs of the society. The present study has made an attempt to understand the status, progress and initiatives made by large firms of India in context to CSR policy framing and 8 implementations. Although India has entered or taken a transformational change by involving into new CSR initiatives, but still a lot has to be done in this area.

Dr. Arvind Jain, Senior Manager (SME), Axis Bank Ltd., Rajkot (2012) - Corporate Social Responsibility: An Explorative Review:

Many companies have established a corporate identity using CSR as a core activity of their business, which has become a focal point of their success and competitive advantage. The basic objective of this paper is to know the concept of corporate social responsibility and review existing knowledge available in this area.

Soheli Ghose, Assistant Professor, Department of Commerce, J.D. Birla Institute, Jadavpur University (2012) - Globalization Of Corporate Social Responsibility Focusing On Indian Markets:

CSR has a wide-ranging effect across the globe especially in emerging markets. CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes(aerosol products with no fluorocarbons, environment friendly technologies), adopting

progressive human resource management practices(promoting employee empowerment), achieving higher levels of environmental performance through recycling and pollution abatement (reducing emissions), and advancing the goals of community organisations (working closely with groups such as United Way). In this context this paper has studied the theoretical aspect of CSR including the Global Reporting Initiative and CSR Legislation norms and globalization of CSR in India. In this paper few specific cases of CSR activity and CSR violation in India have studied.

Hurratul Maleka Taj, MBA, Narsee Monjee Institute of Management Studies, Mumbai (2011): Corporate Social Responsibility, Sustainable Development: Performance Measures And Indicators:

This research paper is an effort to understand the symbiotic relationship between economic and social performance. It also presents the challenges associated with it and the benefits of the CSR along with sustainable development measures being undertaken by corporate sector.

Ms Nidhi Khurana Asia Pacific Institute of Information Technology, Panipat (2011) – Strategic Corporate Social Responsibility: Challenging Sustainable Actions In India

Looking at current economic condition of India, there is an immediate need of strategic CSR delivering value proposition to the masses. The paper focuses on the reasons to analyses the strategic gap between CSR implementation and CSR effectiveness and to identify the focused sectors where sustainable actions of strategic CSR are required to create synergies in India. The paper urges the Corporate not to look CSR as a non- profit activity in fact in the long run, expenditure in CSR can help increase profitability.

Sweta Singh, Great Lakes Institute of Management, Chennai, India (2010): Philanthropy To Corporate Social Responsibility: An Indian Perspective:

The purpose of this paper is to examine the trend of CSR in all its complexity and look forward in the potential impact and major concerns related to it. This paper includes various approaches, combined analysis of central documents and publications on CSR with analysis of articles related to CSR. It throws further insights in the prevalent trends of CSR in various corporate in India.

Richa Gautam and Anju Singh, Industrial Safety & Environment Management Group, National Institute of Industrial Engineering

(NITIE), India (2010) - Corporate Social Responsibility Practices In India: A Study Of Top 500 Companies:

The purpose of this study is to explore the various definitions and descriptions of Corporate Social Responsibility; elaborate upon development of CSR in India; study the theoretical concepts explained by various researchers and study the deployment of current CSR practices in India. This paper examines how India's top 500 companies view and conduct their CSR, identifies key CSR practices and maps these against Global Reporting Initiative Standards.

Dhond Arvind, Assistant Professor (Selection Grade), St. Xavier's College Mumbai (2008): Corporate Social Responsibility Of Indian Business Houses:

In this paper, social responsibility implies what business does over and above the statutory requirement for the benefit of the society. The term corporate citizenship is also commonly used to refer to the moral obligations of the business towards the society. The objective of this study is to know about the efforts done by Indian business houses in relation to their social responsibility.

Objectives:

The objectives of a study provide a definite and proper track for any research activity. To make the present study more scientific following objectives are designed by the researcher:

- To study the various theories and guidelines for CSR practices at national as well as international level.
- To study the CSR practices as per GRI (Global Reporting Initiative) guidelines being taken by selected public sector and private sector companies.
- To compare the key CSR practices being practiced by selected private and public sector companies.
- To study the stakeholders' perception towards CSR practices in selected companies.
- To analyse the effect of CSR practices on profitability of the selected companies.
- To give suggestions for better CSR practices based on findings emanated from the study.

Hypothesis:

- To make present study more practical, following hypotheses have been framed by the researcher.
- H01: There is no significant difference between CSR practices of selected companies both in public and private sector.
- H02: Private sector companies are doing better CSR practices than public sector companies.
- H03: There is no significant awareness exists among stakeholders regarding CSR practices in selected companies.
- H04: There is no significant relationship between CSR practices & profitability of selected companies. In addition to the above stated hypothesis, the researcher would like to frame some more hypotheses during the course of study

Requirement Of CSR:

Corporate Social Responsibility (CSR) is an effective way of achieving and maintaining sound business management. By carrying out social responsibility a company can actually enhance its own economic value and brand image as well as benefits the society. In addition, companies and other organisations are required to have accountability towards stakeholders such as consumers, investors, employees, local residents etc. while utilizing the resources of society.

This practice is voluntary in nature though the Indian Government Parliamentary Standing Committee on Finance has proposed mandatory corporate social responsibility (CSR) by companies as part of change to companies" bill 2009. The committee has stated that every company having net worth of Rs.5000 cr. or more, or a turnover of Rs.1000 cr. or more, or a net profit of Rs.5 cr. or more during a year shall be required to spend every year at least 2% of the company's average net profit on CSR activities. There are no standard framework and guidelines for CSR practices.

Most of the companies are following GRI guidelines but still there is a need to form standard guidelines for CSR practices. Therefore, there is a need to study various theories and practices of CSR prevailing in the world so as to frame a standard guideline for CSR practices. Many companies are putting more emphasis on Corporate Social Responsibility's Triple Bottom Line: People, Planet and Profit. These economic, social and ecological values help to measure an organization's success and impact on its stakeholders. Business

has a responsibility to give back to the community in which they operate. In an increasingly competitive market place consumers are looking for companies that not only produce a quality product or service, but also reflect their own values. CSR is a vehicle through which companies give something back to the society, but the challenge before the companies is to identify CSR priorities and the areas of invention which are meaningful in the context of society development. So, there is a need to study and understand the CSR practices being taken by different corporate houses.

As we know that main motive of public sector undertaking is to generate employment, earn profits and use this for social welfare. Nowadays, CSR has become mandatory and there is a need to know which sector companies (private sector and public sector) are doing better CSR practices. This study will show sector wise comparison of CSR practices between public and private sector companies.

The study will also highlight that do the Indian firms truly believe in CSR and its ability to do social and financial good. Many companies and corporations have not yet realized the importance of CSR practices. Therefore, there is a need to study stakeholders' perception towards CSR

Besides the responsibility towards the society the companies are responsible to work in a manner so that they earn profit and increase their profitability. Companies have responsibility towards shareholders, investors, creditors. So, there is a need to study what is the impact of CSR practices on profitability of the business

To make an overall study that to what extent the companies in India are doing CSR practices, there is a need to study CSR practices in different sectors of India.

The Key Drivers For CSR:

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction is more important for them. Some of the drivers pushing business towards CSR include:

Direct Economic Value / Brand Reputation:

Although the prime goal of a company is to generate profits, companies can at the same time contribute to social and environmental objectives by integrating

CSR as a strategic investment in to their business strategy as they become increasingly aware that Corporate Social Responsibility can be of direct economic value. They can increase their reputation with the public and government by adopting CSR.⁵

Laws And Regulations:

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social well, including people and environment. Governments should set the agenda for social responsibility by way of laws and regulations that will allow a business to conduct them responsibly.

Competitive Labor Markets:

Employees are increasingly looking beyond paychecks & benefits and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Philanthropy:

It is the historical driver which means sense of ethics or welfare. After the Second World War, a variety of national and international regulations arose through bodies such as International Labor Organisation (ILO) emphasizing the need for an active social policy for transnational companies.

Ethical Consumerism:

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of consumers

Globalization And Market Forces:

Corporations have to face many challenges i.e. government regulations and tariffs, environmental restrictions etc. that can cost organisations very much.

Organisations can sustain a competitive advantage by using their social contributions.

Social Awareness And Education:

Corporate stakeholders are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the internet to increase their scrutiny and collective activism around corporate behavior.

Supplier Relations:

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers to ensure that other companies' policies or practices do not tarnish their reputation.

India And CSR:

CSR is not new to India. Development of CSR can be traced back in different phases which are as follows: The first phase of CSR was predominantly determined by culture, religion, family tradition and industrialization. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices, especially in community development. In the pre-industrial period up to the 1850s, merchants committed themselves for the religious reasons, sharing their wealth, for instance, by building temples. Moreover, "the business community occupied a significant place in ancient India and the merchants provided relief in times of crisis such as famine or epidemics by opening go-downs of food and treasure chests" (Arora, 2004). Under colonial rule, Western type of industrialization reached India and changed CSR from the 1850s onwards. The pioneers of industrialization in the 19th century in India were a few families such as the Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhania, Modi, Mahindra and Annamali, who were strongly devoted to philanthropically motivated CSR (Mohan, 2001).

The second phase of Indian CSR (1914-1960) was dominated by country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship, which aimed to consolidate and amplify social development.

During this period, Indian businesses actively engaged in the reform process. Not only the companies saw the country's economic development as a protest against colonial rule; but also, they participated in its institutional and social development (India Partnership Forum 2002).

The paradigm of the "mixed economy", with the emergence of PSUs and ample legislation on labor and environment standards, affected the third phase of Indian CSR (1960-1980). This phase was also characterized by shift from corporate self-regulation to strict legal and public regulation of business activities. In this scenario, the public sector was seen as the prime mover of development. The 1960s was described as an "era of command and control", because strict legal regulations determined the activities of the private sector. The introduction of a regime of high taxes, quota and license system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. As a result, corporate governance, labor and environmental issues rose on the political agenda and quickly became the subject of legislation. Furthermore, state authorities established PSUs with the intention of guaranteeing the appropriate distribution of wealth to the needy (Arora, 2004).

In the fourth phase (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and to some extent integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government-initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the "mixed economy" and tried to integrate India into the global market. Consequently, controls and license system were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora & Puranik, 2004).

At present, Indian companies are now expected to discharge their stakeholders' responsibilities and societal obligations, along with their shareholders' wealth maximization goal. In India as in the rest of the world there is a growing realization that business cannot succeed which fails in a society. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status. Nowadays, India has been named among the top ten Asian countries paying increasing importance towards Corporate Social Responsibility (CSR) disclosure norms. Besides the public sector companies, it is the private sector companies that played dominant role in CSR activities.

Statistical / Presentation Tools:

Check list, tables To study the CSR practices as per GRI guidelines being taken by selected public and private sector companies To achieve this objective the researcher will collect information from annual reports, CSR reports, sustainability reports, official website of companies, questionnaires filled by different stakeholders.

Statistical / Presentation Tools:

Mean percentage and charts To compare the key CSR practices being taken by selected private & public sector companies To achieve this objective the researcher will compare CSR reports, annual reports of different companies. Test will be used to compare the mean and to test the significant difference in CSR practices in selected public and private sector companies.

Statistical / Presentation Tools:

Correlation, t-test 17 To know the stakeholders' perception for CSR practices To achieve this objective the researcher will collect information from questionnaires filled by different stakeholders. Chi-square test will be used to analyses the stakeholders' perception.

Statistical / Presentation Tools:

Chi-square test To analyses the effect of CSR practices on profitability of selected companies This objective will be achieved by profitability analysis.

Statistical / Presentation Tools:

Correlation, Regression and graphs. To give suggestions for better CSR practices based on findings emanated from the study Suggestions will be given on the basis findings derived from study

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