

The role of csr in india



India is widely regarded as a country in which corporate social responsibility has long played an important role. National and international nongovernmental organizations and UN agencies are involved in the public debate in the business community and the media. However, the involvement of the business community is concentrated among a few long-established family-owned companies that contribute a significant amount in the field of CSR, in both theory and practice. The Indian subsidiaries of German companies are bound by their parent companies' guidelines for socially responsible behavior, but how these guidelines are actually implemented is left up to each subsidiary. Their CSR activities focus on their employees (providing training and improving social security), the environment and aid efforts within India or in the region, which are currently concentrating on providing help to tsunami victims. Public policymakers are seeking to achieve inclusive and sustainable growth, and calling on private enterprise to contribute its share.

There is no evidence of CSR activities in the informal sector of the Indian economy, which is responsible for slightly less than half of GDP and employs some 93 percent of India's workforce. Indeed, workers in this sector are afforded no rights or protections whatsoever, and all indications are that no efforts are being made to fight poverty, promote education or health, protect the environment or encourage employee participation in business development.

The UN Global Compact seeks to promote the CSR activities of businesses in India. However, it has not succeeded in involving important NGOs, or most importantly, the unions. The UN Global Compact is not well known within the

business sector or the NGO community. For some time now, German development organizations (GTZ, InWent) have been cooperating closely with the country's important trade associations. The Indo-German Chamber of Commerce has developed its own approach to CSR, and provides conceptual and advisory support for German companies in India.

While CSR is not at the top of the agenda of German political foundations, some of them are starting to devote more attention to this area. The German government, represented by the Ministry of Labor, is working to achieve greater international cooperation on CSR under the Heiligendamm Process, which includes India as one of five outreach countries. Talks have been held in the context of a formalized partnership between Germany and India. Representatives of the German business community meet with embassy officials at least once a year, during their monthly business lunches, to discuss CSR.

Source: German Embassy, New Delhi

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Corporate social responsibility (CSR) also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This obligation is seen to extend beyond the statutory

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obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; still others argue that it is an attempt to preempt the role of governments as a watchdog over powerful multinational corporations.

OBJECTIVE:

The objective of this paper is to examine the nature and extent of corporate social responsibility (CSR) initiatives under taken by Indian companies and to study its relevance in business.

Overview

Corporate social responsibility is necessarily an evolving term that does not have a standard definition or a fully recognized set of specific criteria. With the understanding that businesses play a key role on job and wealth creation in society, CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental , and social imperatives while at the same time addressing shareholder and stakeholder expectations. CSR is generally accepted as applying to firms wherever they operate in the domestic and global economy. The way businesses

engage/involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations, and other stakeholders is usually a key feature of the concept. While business compliance with laws and regulations on social, environmental and economic objectives set the official level of CSR performance, CSR is often understood as involving the private sector commitments and activities that extend beyond this foundation of compliance with laws.

From a progressive business perspective, CSR usually involves focusing on new opportunities as a way to respond to interrelated economic, societal and environmental demands in the marketplace. Many firms believe that this focus provides a clear competitive advantage and stimulates corporate innovation.

CSR is generally seen as the business contribution to sustainable development which has been defined as “ development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, and is generally understood as focusing on how to achieve the integration of economic, environmental, and social imperatives. CSR also overlaps and often is synonymous with many features of other related concepts such as corporate sustainability, corporate accountability, corporate responsibility, corporate citizenship, corporate stewardship, etc..

CSR commitments and activities typically address aspects of a firm’s behaviour (including its policies and practices) with respect to such key elements as; health and safety, environmental protection, human rights, human resource management practices, corporate governance, community

development, and consumer protection, labour protection, supplier relations, business ethics, and stakeholder rights.

Corporations are motivated to involve stakeholders in their decision-making and to address societal challenges because today's stakeholders are increasingly aware of the importance and impact of corporate decisions upon society and the environment. The stakeholders can reward or punish corporations. Corporations can be motivated to change their corporate behaviour in response to the business case which a CSR approach potentially promises. This includes:

1. stronger financial performance and profitability (e. g. through eco-efficiency),
2. improved accountability to and assessments from the investment community,
3. enhanced employee commitment,
4. decreased vulnerability through stronger relationships with communities, and
5. improved reputation and branding.

Criticisms and concerns

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. CSR could prove to be a valuable asset in an age of Mergers & Acquisitions, as it helps firms spread their brand name

INDIAN SCENARIO

Even much before the issue became a global concern, India was aware of corporate social responsibility (CSR), due to the efforts of organisations such as the Tata Group. (Around 66 per cent of Tata Sons, the holding group of the Tata Group, is today owned by a trust).

Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major efforts to improve the livelihood standards of rural communities. Unilever is using micro enterprises to strategically augment the penetration of consumer products in rural markets. IT companies like TCS and Wipro have developed software to help teachers and children in schools across India to further the cause of education. The adult literacy software has been a significant factor in reducing illiteracy in remote communities. Banks and insurance companies are targeting migrant labourers and street vendors to help them through micro-credits and related schemes.

In June 2008, a survey was carried out by TNS India (a research organization) and the Times Foundation 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. Most of CSR ventures were done as internal projects while a small proportion were as direct financial support to voluntary organizations or communities.

In a survey carried out by the Asian Governance Association, which ranks the top 10 Asian countries on corporate governance parameters, India has consistently ranked among the top three along with Singapore and Hong Kong, for the last eight years.

In another study undertaken by automotive research company, TNS Automotive, India has been ranked second in global corporate social responsibility. State-owned Bharat Petroleum and Maruti Udyog were ranked as the best companies in India. Bharat Petroleum and Maruti Udyog came on top with 134 points each, followed by Tata Motors (133) and Hero Honda (131). The study was based on a public goodwill index and India received 119 points in the index against a global average of 100. Thailand was at the top slot with 124 points.

Several foundations run by corporate houses plan to devise a common strategy to ensure transparency in their social and community development operations, such as tracking spending in and progress of such projects in their annual reports.

The effort is significant because it brings together a wide range of Indian companies to share ideas on innovating sustainable programmes. Among them are Multi Commodity Exchange of India Ltd, Anil Dhirubhai Ambani Group and media company Bennett, Coleman and Co. Ltd,

Audit firm KPMG will partner with them to offer guidance on evaluating corporate social responsibility or CSR programmes-a trend companies are slowly embracing as India's expanding economy contrasts sharply with growing local protests over land for future industrial projects.

The network alliance stems from the first sustainability summit that was organized in January by the Associated Chambers of Commerce and Industry of India.

CSR could prove to be a valuable asset in an age of mergers and acquisitions, especially as it helps companies spread their brand name, The new network will also serve as a common ground to lobby with the government for tax exemptions and safeguard other interests in the future.

Indian companies have made little progress in reporting development projects. And only 48 companies have so far given their commitment to support the United Nations Global Compact, a charter for improving the global business environment through standards, such as labour rights and fighting corruption.

Addressing business leaders in May last year, Prime Minister Manmohan Singh said " Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework

of a corporate philosophy, which factors the needs of the community and the regions in which a corporate entity functions.”

Some say companies have an inherent “ mental block” in reporting development programmes. A recent KPMG study among 27 Indian companies showed that a mere 8% mentioned their social expenditures in their annual reports, and only 25% filed CSR reports at all. But a quarter of them are also signatories of the Global Reporting Initiative, a 10-year-old movement started by an NGO called Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme. This encourages companies to make voluntary disclosures and lays down framework on improving reporting principles.

“ Most companies tend to give to charities than make long-term development commitments. When a company voluntarily opens up for self-evaluation, it creates value for shareholders when competing with other companies,” said Parul Soni, associate director of KPMG’s Aid and Development Services.

An estimated 100 corporate foundations and 25 foreign firms are involved in CSR activities in India, but statistics on input and output are elusive.

According to Times’ Pandey, the Indian corporate sector spent Rs30, 000 crore on social expenditure during the last financial year, up from Rs17, 500 crore the previous year. Quoting from a government report, he said, companies drew a total exemptions of Rs5, 500 crore under income-tax laws last year. These figures, an analyst said, sound improbable as Indian

companies still do not distinguish between philanthropy and internal practices to benefit stakeholders such as employees and community.

Companies, too, continue to rely on different models to earmark its social expenditure, making it difficult to measure the overall impact.

For instance, the Steel Authority of India Ltd (SAIL), the country's largest steel company, spent Rs100 crore on CSR last year; this was 2% of its profit after tax, exclusive of dividend tax, according to SAIL spokesperson N. K. Singhal. Yet others, such as Tata Steel Ltd, which runs a 850-bed hospital and rural projects in 800 villages around Jamshedpur, spends an average of Rs150 crore as part of its annual revenue expenditure.

What eventually makes up for CSR of a company ultimately depends on leadership; as part of company decision, about 66% of Tata Sons, the holding group of the Tata group, is today owned by a trust.

Pharmaceuticals company Jubilant Organosys Ltd, already runs an anti-tuberculosis programme with the government of Uttar Pradesh. Apart from schools and hospitals that are run by trusts and societies, the government, too, is exploring to widen the scope of public-private partnerships to build and maintain schools and hospitals in return for a fixed annuity payment.

CONCLUSION

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and

has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do good and get self satisfaction in return as well as societal obligation of business.

The Indian corporate sector spent US\$ 6. 31 billion on social expenditure during 2007-08, up from US\$ 3. 68 billion spent during the previous fiscal. The Steel Authority of India Ltd (SAIL), the country's largest steel company, spent US\$ 21. 05 million on CSR last year; Tata Steel Ltd, (which runs a 850-bed hospital and rural projects in 800 villages around Jamshedpur), spends about US\$ 31. 58 million as part of its annual revenue expenditure. Now there are plans to also introduce CSR in the small and medium enterprises (SME) sector to increase its reach in remote areas.

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18/07/2010 9. 00PM**ABSTRACT**

An innovative model is being implemented by corporate world to build brands in the rural market. Organisations are instigating social responsibility campaigns in the rural areas, which also exhibit the potencies and the values that a brand illustrates. These campaigns create valuable words of mouth publicity for the brand in the oral socialist culture of rural India, which the short ten second commercial advertisements are not in a position to do. Corporate world needs to build a social responsibility campaign around the business model of the organisation and strengths and values that are depicted by the brand. Then only the campaign can be useful to build brand in the rural areas.

Key Words:- CSR, brand Building, Rural India,

INTRODUCTION

The concept of corporate social responsibility originated in the 1950s in USA and the concept came into prominence in public debate during the 1960s and 1970s. During 1980s to 2000, corporations generally recognized a responsibility to society and weighed against the demands of being competitive in a rapidly changing global economy. Corporate social responsibility is fundamentally a philosophy or a vision about the relationship of business and society. It is a process of continuous improvement which begins small, grows and expands over a period of time. It has been referred to as caring capitalism in contrast to financial capitalism. Corporate Social Responsibility (CSR), also known as corporate responsibility, corporate <https://assignbuster.com/the-role-of-csr-in-india/>

citizenship, responsible business and corporate social performance is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: People, Planet, and Profit.

Corporate Social Responsibility (CSR) is a concept that encourages organizations to consider the interests of society by taking responsibility for the impact of the organization's activities on customers, employees, shareholders, communities and the environment in all aspects of its operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large. The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than

superficial window-dressing; others argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

Social responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society. This responsibility can be “ negative”, meaning there is a responsibility to refrain from acting (resistance stance) or it can be “ positive,” meaning there is a responsibility to act (proactive stance). There is a large inequality in the means and roles of different entities to fulfill their claimed responsibility. This would imply the different entities have different responsibilities, in so much as states should ensure the civil rights of their citizens, that corporations should respect and encourage the human rights of their employees and that citizens should abide with written laws. But social responsibility can mean more than these examples. Many Non-governmental organizations (NGOs) accept that their role and the responsibility of their members as citizens are to help improve society by taking a proactive stance in their societal roles. It can also imply that corporations have an implicit obligation to give back to society.

Many businesses in emerging markets are realizing benefits from corporate social responsibility initiatives, with quantified improvements in revenue and market access, productivity, and risk-management. While emerging-market companies tend to focus more on short-term cost savings and revenue gains, intangibles, such as brand value and reputation issues, are more significant for companies in developed countries. The contemporary corporate social responsibility agenda, however, is relatively immature in all countries.

Despite widespread rhetoric, its impact is still patchy. In practice, implementation of this agenda by many companies is shallow and fragmented. Governments are beginning to view corporate social responsibility as cost-effective means to enhance sustainable development strategies, and as a component of their national competitiveness strategies to attract foreign direct investment and position their exports in global markets. There is a significant opportunity for the public sector to harness business enthusiasm for corporate social responsibility to help achieve its goal of reducing poverty. The challenge today for the public sector in developing countries is to identify corporate social responsibility priorities and incentives that are meaningful in their national context, and to play a role in strengthening appropriate local initiatives.

Corporate social responsibility is not a new concept in India. However, what is new is the shift in focus from making profits to meeting societal challenges. Now-a-days, employees are actively participating in the social activities even on holidays. This is mainly because employees feel a sense of pride when they are involved in such activities. Moreover, companies are having dedicated departments for CSR. CSR taken up by various range of companies primarily focuses on poverty alleviation, environmental protection and sustained development. Companies are taking initiatives for developing infrastructure in rural areas. TVS Electronics was involved in CSR during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai. Such initiatives will help in improving the conditions of rural people. Satyam Foundation of Satyam Computer Services Ltd., Infosys

Foundation of Infosys Technologies Ltd., GE Foundation of the General Electric Company are exemplary instances of the benevolent commitment of the corporate sector in India. Irrespective of the profits they make, these foundations are aiming at uplifting of the poor and enhancing the standard of life in the rural sector.

The companies which implemented CSR in rural India are discussed below

RURAL ELECTRIFICATION CORPORATION LTD

The approach of REC towards Corporate Social Responsibility is oriented to identify and formulate projects in response to felt societal needs in diverse areas and to implement them with full involvement and commitment in a time bound manner. As a responsible corporate entity, Rural Electrification Corporation is consistently strive for opportunities to meet the expectation of its stake holders by pursuing the concept of sustainable development. The major activities in rural area are to facilitate demonstration of commercially viable rural electricity delivery models with appropriate intervention and support on a selective basis such that they can be replicated elsewhere. REC provides promotion of rural enterprise and livelihood including skill development and training, Provides development support to common facility centres / production centres in rural areas. REC Promotes development of rural technologies for micro enterprise and also Promotes sports and games.

LAFARGE CEMENT

Lafarge worldwide gives prime importance to sustainable development for sustainable economic performance. Lafarge is committed to the communities

where it operates. In India Lafarge has undertaken a number of initiatives under its corporate social responsibility programme. The major initiatives are Project Employability, Project Low Cost Housing, and Project Education. Project Employability focuses on creating sustainable livelihoods for local communities. The concept of the project is to build communities that are more skilled and capable of sustaining themselves independently by capitalizing on the company's expertise, knowledge and competencies, rather than merely providing continued financial support. It directly provides solutions to the critical community problem of unemployment, through a method, which is "development" oriented and lays the foundation for long term success of the society.

Project Employability provides professional training in masonry to the illiterate and unemployed youth in these communities making them employable. The objective of Low Cost Housing is to promote and enhance the use of cement in houses in order to provide safe and comfortable habitats. Since a large part of India (70%) lives in rural areas, the project is largely geared to meet rural housing needs. Project Low Cost housing, which we initiated during 2004 incorporating modern technology, has become our priority area. The goal of the project is to design safe houses, which are replete with basic amenities and provide a platform for its replication across geographies. Lafarge at present is conducting Computer Education classes, free of cost, for over 1500 girl children in about 10 middle schools in Jharkhand and Chhattisgarh in the part of its Project Education. Lafarge also has plans to broaden the scope and escalate the activities of Project Education further under the aegis of

BPCL

BPCL initially started working in Mahul, the village located in the vicinity of its Mumbai refinery since 1986. The habitants of Mahul, essentially from the fishing community, were rich because they possessed marine wealth but as far as education, health, etc was concerned, they needed help. BPCL volunteered and the initial success brought such gratification that immediately it adopted another village (this time an interior one) called Karjat, developments with selfless intentions helped introspect about the future role BPCL should adopt in its aim to contribute to this effort, then there after there was no looking back. As a corporate responsibility, today 37 villages across India have been adopted. This includes making substantial investments for nearly a decade and a half in them to make them fully self reliant, providing them fresh drinking water, sanitation facilities, medical facilities, enhancing their income standards by imparting vocational training and agricultural innovations. However, BPCL also firmly believes that the only vehicle for raising the villagers from their present state is by educating the young and the old, a focus on providing grants for opening schools and opening adult literacy camps as well.

INDIAN OIL

Indian Oil has a concerted social responsibility programme to partner communities in health, family welfare, education, environment protection, providing potable water, sanitation, and empowerment of women and other marginalised groups. Indian Oil has always been in the forefront in times of national emergencies. Indian Oil People have time and again rallied to help

victims of natural calamities, maintaining uninterrupted supply of petroleum products and contributing to relief and rehabilitation measures in cash and kind. Indian Oil's community-focussed initiatives include allotment of petrol/diesel station dealerships and LPG distributorships to beneficiaries from among Scheduled Castes, Scheduled Tribes, physically handicapped, ex-servicemen, war widows, etc. The Corporation has also unveiled kisan seva kendras as small-format retail outlets to reach quality products and services to people in the rural areas. Indian Oil has also set up the Indian Oil Foundation (IOF) as a non-profit trust to protect, preserve and promote national heritage monuments. The Corporation also supports a variety of endeavours in arts, culture, music and dance, apart from organising programmes on its own under the banners of Indian Oil Art Exhibition, Indian Oil Sangeet Sabha and Indian Oil Kavi Sammelan.

ACC

ACC has undertaken social volunteering practices almost from its inception, - long before the term corporate social responsibility was coined. The company's earliest initiatives in community development date back to the 1940's in a village on the outskirts of Mumbai while the first formal Village Welfare Scheme was launched in 1952. The community living around many of our factories comprises the weakest sections of rural and tribal India with no access to basic amenities. Its community development activities revolve around the under-privileged community that lives in the immediate vicinity of the cement plants. The range of activities begins with extending educational and medical facilities and goes on to cover vocational guidance and supporting employment-oriented and income-generation projects like <https://assignbuster.com/the-role-of-csr-in-india/>

agriculture, animal husbandry, cottage industries by developing local skills, using local raw materials and helping create marketing outlets . At all our cement factories ACC share amenities and facilities with members of the local community. This includes sharing education and medical facilities, sports, recreation, access to Bore Wells, drinking water and the usage of colony roads.

COLGATE'S PROJECT JAGRUTI

In the year 1998 Colgate started project Jagruti , the rural hygiene drive along with the Indian dental Association. This project covers 60 lakh people in 20, 000 villages, out of which 15, 000 villages had no experience to the availability of toothpaste and tooth powder. The aim of the drive is to promote the brand in rural areas but the overall strategy is also spreading the vital information of oral hygiene among the lesser aware rural people.

CHAMBAL FERTILISER'S UTTAM BANDHAN

Uttam Bandhan , the community welfare initiative launched by the K. K. Birla group's flagship company Chambal Fertilisers and chemicals ltd (CFCL) in Rajasthan in the year 2000. Under this programme , CFCL trains unemployed rural youth as extension workers known as krishi sewaks, who interact with the farmers and advise them .

HUL'S VINDHYA VALLEY PROJECT

In the year 2000 HUL helped state owned Khadi Board through an advisory relationship with the government of Madhya Pradesh. It helped the board to brand local produce from villages and tribal areas such as natur