

CORPORATE SOCIAL RESPONSIBILITY – A COMPULSORY AND NO LONGER A VOLUNTARY NORM FOR INDIAN COMPANIES

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ABSTRACT

It is vital today, to endure competition, retain brand name and sustain the productivity of any organization, which are in a perpetual state of arduous struggle, with the entry of innumerable competitive organizations into the market. Globalization has made organizations grow beyond their regional and national boundaries and also it has resulted in increased competition amongst organizations in an unprecedented manner. New ethical, legal and conducive business strategy enriching all the stakeholders of a business directly and indirectly is a need of the hour for organizations to survive in the 21st Century.

This study comprehends with Corporate Social Responsibility, the crisis that companies face due to improper CSR System, which are the reasons why Social Responsibility becomes a factor that can no longer be avoided and discusses the important methods that could be utilized to curb this problem.

Keywords: Capacities, Corporate social Responsibility, United Nations Industrial Development Organization. Voluntary Norm

Introduction

Promoting the uptake of CSR amongst Corporate requires approaches that fit the respective needs and capacities of the businesses, and do not adversely affect their economic viability. The United Nations Industrial Development Organization (UNIDO) defines that CSR programmes prove to be a successful tool for all Corporate in countries to assist them in meeting social and environmental standards without compromising their competitiveness.

CSR is meant to measure and report corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations. A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

Specifically, there is a tendency which links the lack of ethics, principles and values in the classic entrepreneurial model as one of the most important reasons explaining the current economic and financial crisis. Stiglitz (2008) argues that financial authorities have not innovated as they should have done to respond to the needs of society, in the sense of incorporating other social and environmental variables beyond pure economic profit for the decision making process.

As a result of the combination of the economic and financial crisis with what has been called an entrepreneurial crisis of maturity, Corporate Social Responsibility (CSR) has risen to prominence in the last decade. Even though CSR is a new controversial concept, everybody in the academic and business spheres agree that it is a fundamental strategy for achieving the sustainable development that our globalized world needs.

The new Companies Act has made it mandatory that companies with a market capitalization of more than 5 Billion rupees have to spend 2 percent of their annual net profits on CSR. India is perhaps the first country in the world to have CSR in statute; this is because an estimated 300 Million people in India live below the poverty line. This initiative by the Ministry of Corporate Affairs is a significant and welcoming move, many civil society organizations have warned that the new law and its provisions may have only a mere superficial impact if funds are not prioritized for the target communities and purposes and it could result in large companies siphoning of more funds under the provisions of the new Companies Act.

Objectives of the Study

1. To understand the actual motive behind a company for engaging in CSR.
2. To compare the actual and true intentions of incorporating CSR by a company.
3. To analyze the important factors why CSR is necessary.

Review of Literature

Windsor (2001), article examined the future of Corporate Social Responsibility or the relationship between business and society in long run. The researcher tried to find out that whether the organization and society will come closer to each other in future or not and what will be the changing phase of CSR. With the help of history or past trend of CSR, the researcher found three emerging alternatives of CSR i.e. conception of responsibility, global corporate citizenship, stakeholder management practices.

Brammer, Jackson & Matten (2012), study entitled as “Corporate Social Responsibility and institutional theory: new perspective on private governance” in Social economic review depicted that CSR is not only a voluntary action but beyond that. In this study, CSR had defined under institutional theory. The institutional theory stated that corporate social activities are not only voluntary activities but it is a part of interface between business and society. Regulation/ governance are necessary for enhancing the corporate performance of businesses through CSR. The

theory also suggested that in what form companies should take its social responsibilities whether historical, political or legal form.

Shah, Bhaskar (2010), has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society. Borogonovi, Veronica (2011), article in knowledge@ Wharton, stated that today, CSR has different meaning for different companies. Some termed CSR in the sense of social issues while other for environmental issues. But there are not any mandatory guidelines for CSR so that the problem of areas of CSR can be sort out. In addition to this, the researcher discussed about various views and plans of government and other authorized institution like union corporate minister like Mr. Murli Deora, Companies act 1956, Companies bill 2008 and 2009, Dhaval udani (CEO of non-governmental organization), FICCI etc. All these institution and persons presented their ideas and bills about CSR requirement. The paper also differentiates the term CSR from other one like Corporate Philanthropy, CSV (creating Share Value) etc. CSR has defined in such a way that how the businesses are conducting their activities in society marked at the place.

Research Methodology

- **Primary Data:** It is the data collected by the researcher himself from the field for the first time. For this research paper on CSR primary data was collected through a questionnaire.
- **Secondary Data:** It is the already existing data and for this research study, it has been obtained from books, journals, newspapers and Internet.
- **Population:** 2823 employees of Serum Institute of India, Pune
- **Sample:** All the 30 Employees of Quality Control Department of Serum Institute of India, Pune
- **Sampling Technique:** Convenience sampling which is a non-probability sampling technique was used for data collection
- **Statistical Tools for Data Analysis:** Simple statistical calculations were done with the help of Microsoft Excel for tabulation of data collected, thereby deriving meaningful conclusions and the same were presented with the help of Pie Charts.

Limitations

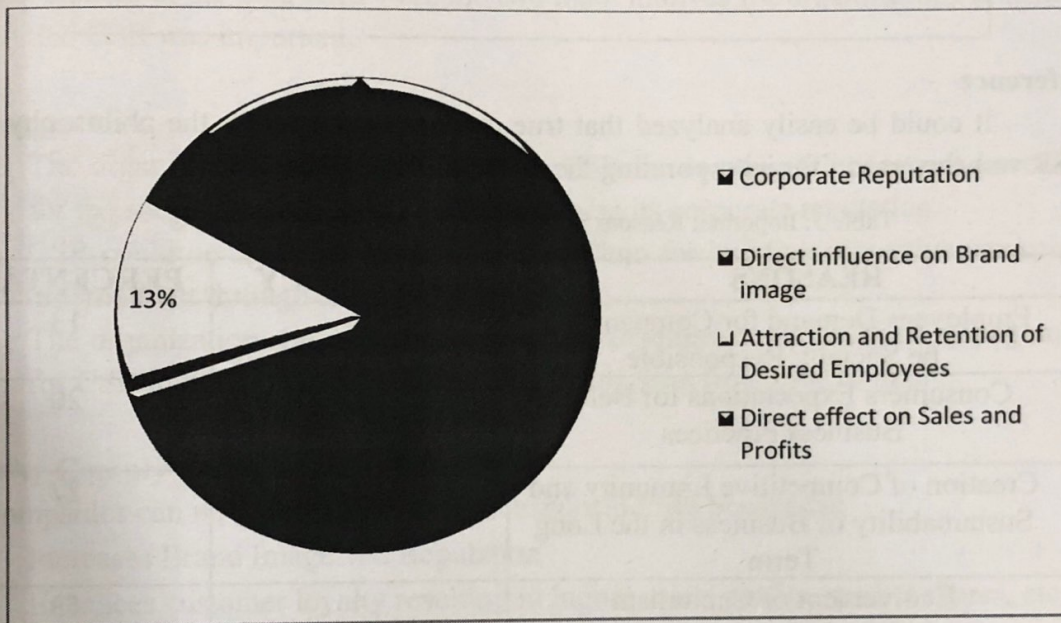
1. The respondents were not directly involved with the CSR activities of the organization.
2. Respondents' bias could not be overlooked, hindering the reliability quotient of the research
3. Data collected cannot be generalized.

Data Analysis

Table1: General Reasons for Companies engaging in CSR

REASONS	FREQUENCY	PERCENTAGE
Corporate Reputation	15	50
Direct influence on Brand Image	6	20
Attraction and Retention of Desired Employees	4	13
Direct effect on Sales and Profits	5	17
TOTAL	30	100

Figure 1: General Reasons for engaging in CSR



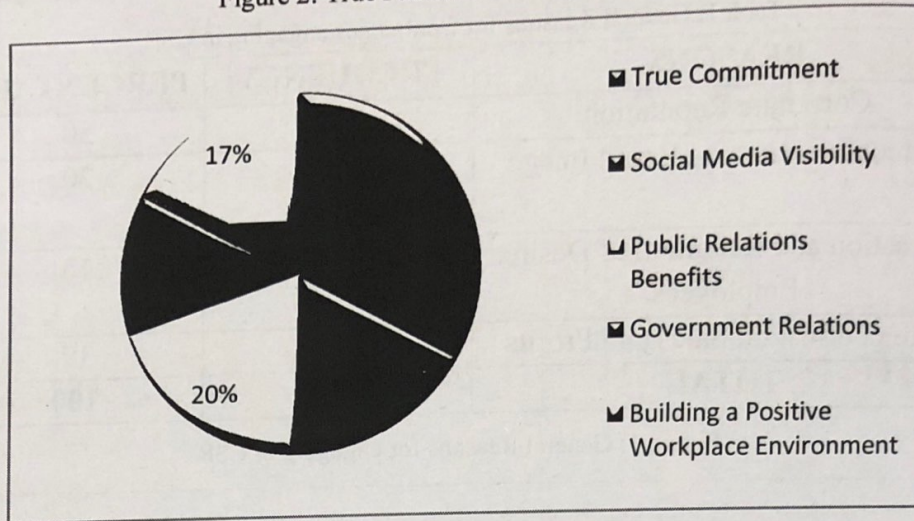
Inference

It can be inferred from the above that Corporate Reputation is the single largest reason for the organization to engage itself in CSR Initiatives.

Table 2: True Factors for incorporating CSR

FACTORS	FREQUENCY	PERCENTAGE
True Commitment	10	33
Social Media Visibility	5	17
Public Relations Benefits	6	20
Government Relations	4	13
Building a Positive Workplace Environment	5	17
TOTAL	30	100

Figure 2: True Factors for incorporating CSR



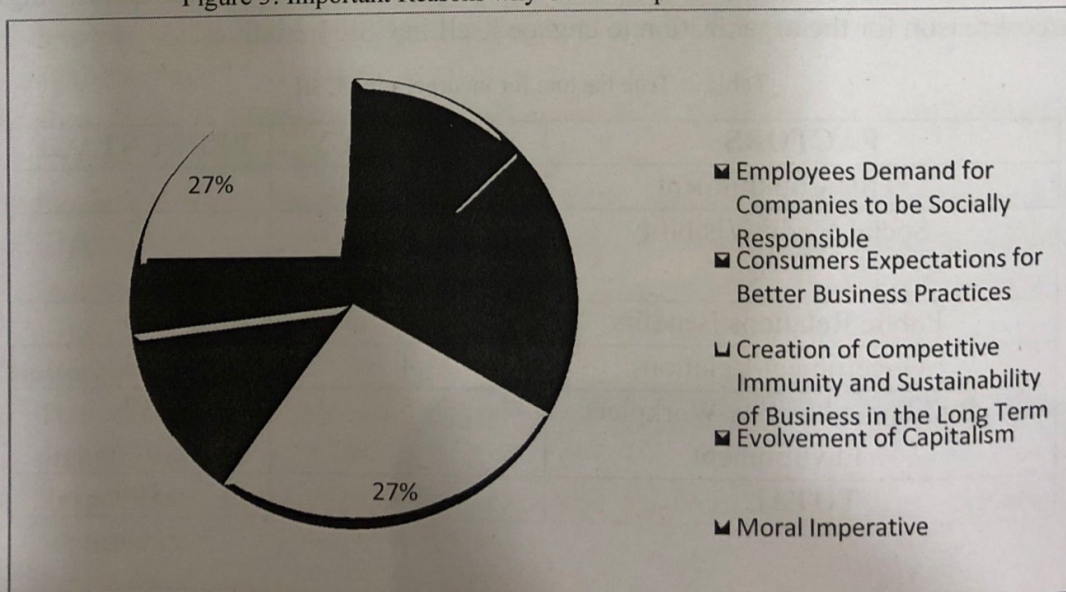
Inference

It could be easily analyzed that true commitment towards the philosophy of CSR was the reason for incorporating the same by the organization.

Table 3: Important Reasons why CSR is important to the Business

REASONS	FREQUENCY	PERCENTAGE
Employees Demand for Companies to be Socially Responsible	4	13
Consumers Expectations for Better Business Practices	6	20
Creation of Competitive Immunity and Sustainability of Business in the Long Term	8	27
Evolution of Capitalism	4	13
Moral Imperative	8	27
TOTAL	30	100

Figure 3: Important Reasons why CSR is important to the Business



Inference

It is evident that moral imperative and creation of competitive immunity and sustainability of business in the long term are the two important reasons why the organization thinks CSR is important to them.

Findings and Interpretations

1. A good majority opined that corporate reputation was the single biggest reason for companies engaging in CSR.
2. True commitment was found to be the most influencing factor for organizations incorporating CSR.
3. Moral imperative and creation of competitive immunity for sustaining the business in the long term were the two main motives for organizations to believe that CSR was important.

Suggestions

1. The organization should try to explore CSR for creating felt assets and services for the society rather than merely to augment its corporate reputation
2. CSR could be used as a powerful via medium for building a positive workplace environment through employee engagement
3. The organization should strive to involve personnel at all levels of management for CSR initiatives undertaken by the organization from time to time

Why Comply with CSR

Companies can no longer ignore social responsibilities because it:

- Increases Brand Image and Reputation
- Enhances customer loyalty resulting in higher sales, profits, market shares, etc.
- Lesser government and regulatory authority interventions
- Supports organizational growth and sustainability

Times have changed. There remain company chieftains who take a Friedman-esque view, of course, but many more have made CSR a priority. Ten years ago, for instance, only about a dozen Fortune 500 companies issued a CSR or sustainability report. Now the majority does. The next generation of business leaders is even more likely to prioritize CSR. According to a study by Net Impact, the non-profit that aims to help businesses promote sustainability, 65% of MBAs surveyed say they want to make a social or environmental difference through their jobs. Today, amid a lingering recession that has dented corporate profits and intensified pressure from shareholders, companies are devising new CSR models. Rather than staffing a modest CSR department and slapping it on the organizational chart as a small offshoot of the public relations (PR) or philanthropy division many companies are instead trying to embed CSR into their operations.

Quite simply, companies care about CSR because their customers do. Consumers, by and large, are a self-motivated and self-interested lot. But numerous studies indicate that a company's CSR policies increasingly factor into their

decisions. For example, a survey by Landor Associates, the branding company, found that 77% of consumers say it is important for companies to be socially responsible. “There’s a heightened awareness of the need to be, and to be seen as, a good corporate citizen,” says Robert Grosshandler, CEO of iGive.com, which helps consumers direct a percentage of their online purchases to support charities.

Conclusion

It is clear to see that the modern consumer expects businesses to take a CSR approach, and the benefits of doing so are manifold. One of the strongest arguments for adopting CSR into your wider business strategy is the boost it brings to your organization’s brand image and reputation. A good public image is a crucial marketing asset and its importance just cannot be underestimated. In turn, this can lead to increased customer loyalty and sales. One of the findings of this study reveals that moral imperative has been a major motive for the organization to believe that CSR could no longer be ignored. Moreover, corporate social responsibility is an important factor when it comes to making a purchase decision by the consumers in today’s competitive business world. One of the tenets of CSR is that the interests of all stakeholders in the business are taken care of, and this includes one of the company’s most important assets - the staff. Having an effective and transparent CSR strategy in place has been consistently linked with increased employee satisfaction, productivity and retention. There is no denying that in today’s business world, those that look outside the sphere of their organization and consider its social impacts are the ones that succeed.

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