A Study of Trends in CSR Initiatives of Indian Companies

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Abstract - **The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggested that CSR needs to go beyond communities and beyond the concept of philanthropy. It is interesting to observe the ways in which this has translated into action at the ground level, and how the understanding of CSR has undergone a change in the past five years since the implementation of the new Act. This study capitulates the entire gamut of CSR activities in India from its inception to the current trends in the initiatives of Indian Companies.**

Index Terms - **CSR Initiatives, Models of CSR, Trends in CSR.**

INTRODUCTION

The idea of corporate social responsibility (CSR)—that is, businesses bearing a responsibility to society and a broader set of stakeholders beyond its shareholders—gained currency in the 1960s. Since then, attention on CSR has been growing in both academic and practitioner communities around the world. While there have been criticisms and debates on whether it was appropriate for corporations to expand their remit beyond shareholder value, an increasing majority of corporations have proactively committed to addressing larger societal challenges. With a variety of options for corporate engagement in mainstream society and local communities, corporations have created dedicated organizational units to effectively manage their social obligations. There is commensurate growth in specialized organizations operating at national and global levels that advise on, and often implement, targeted short-term projects or longer-term sustained community-level programs.

REVIEW OF LITERATURE

Earlier studies of CSR looked at the influences of managers' characteristics on environmental commitment or perceptions (Henriques & Sadorsky, 1999; Sharma, 2000; Weaver, Treviño, & Cochran, 1999). Further research examined corporate unethical behaviour from the perspective of top managers and directors, covering topics such as managerial preferences (e.g., Cullen et al., 2004), goal setting (e.g., Schweitzer, Ordoñez, & Douma, 2004), ´ director interlock (Kang, 2008), and board gender diversity (e.g., Cumming et al., 2015). What is lacking, however, is work on the cognitive and motivational conditions that lead stakeholders to evaluate firms' social activities differently. For example, what underpins individual motivations behind CSR activities? Is it profit driven, or a reflection of benevolent managerial/firm values (e.g., Koh, Qian, & Wang, 2014), or a more sustained commitment to tackling a broader social challenge? What are the cues that stakeholders look at for evaluating effectiveness and motivation? From the firms' perspective, how do organizations manage stakeholder perceptions so that they can communicate effectively, to those stakeholders, their CSR activities (e.g., Crilly et al., 2016)? Examining these questions would lead to more nuanced theories of corporate– stakeholder relations, providing us with a deeper appreciation, at the individual level, of how CSR makes an impact.

Carol A. Tilt (2016) in her article "Corporate Social responsibility research: the importance of context" presents a discussion of the different contextual issues or factors that show some evidence or potential to influence CSR and reporting in developing

countries. It focusses on three specific issues and provides a research agenda for future consideration of the influence of context in CSR reporting research. The paper is structured as follows. The first section introduces some broad contextual factors that warrant consideration in the literature on CSR reporting. Next, three specific contextual issues are examined: the role of political ideology and hegemony; the influence of cultural understandings; and the impact of historical economic context. Different political, social, cultural and economic environments impact on the both the development of, and reporting of, CSR activities and consequently impact on the value of these activities to benefit society and the natural environment.

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 Focussing 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.

NEED FOR THE STUDY

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 utilising 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.

OBJECTIVES OF THE STUDY

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:
1. To study the various theories and guidelines for CSR practices at national level.
2. To study the trend in the CSR practices and initiatives of Indian companies.

METHODOLOGY OF THE STUDY

This study is based on secondary data. For this purpose, secondary data was collected from company annual reports, brochures, books, journals, conference proceedings, Government reports and websites.

SCOPE OF THE STUDY

The study is an overview of CSR activities of companies in general in India only.

FINDINGS OF THE STUDY

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 industrialisation. 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 labour 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, labour 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 licence 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.

INITIAL VIEWS OF CSR AND EVOLUTION OF CSR MODELS

The 2001 State of Corporate Responsibility in India Poll, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of four thinking approaches:
Ethical model (1930-1950): One significant aspect of this model is the promotion of trusteeship that was

revived and reinterpreted by Gandhi. Under this notion the businesses were motivated to manage their business entities as a trust held in the interest of the community. The idea prompted many families run businesses to contribute towards socio-economic development. The efforts of Tata group directed towards the wellbeing of the society are also worth mentioning in this model.

Statist model (1950-1970s): Under the aegis of Jawaharlal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

Liberal model (1970s-1990s): The model was encapsulated by Milton Friedman. As Perth model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which, through taxation and private charitable choices can be directed to social ends.

Stakeholder model (1990-present): The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to "triple bottom line" approach. The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework [4].

Initial Challenges to CSR initiatives in India

- Community participation: There is lack in community participation in the CSR activities as it has been seen that the communities that are going to benefit show less interest whenever the initiative is being taken by any company or organization.
- Own benefit: Generally corporate sector in India works for CSR only to save the taxes which are being levied by government on them because it has been noticed that the funds that corporates will raise for the CSR activity will be categorized as tax free, so many corporates work on this premise.
- Capacity building: Many companies do not have skilled manpower and technical knowhow to

develop effective CSR technique. This is required in terms to develop effective CSR policies and strategies. The expenditure that has been made on CSR is directly linked to the CSR policies which are being formulated.

- Corporate social responsibility not only a concept: Corporate sector should understand that CSR is not just a concept that they have to follow and contribute monetarily or in similar other ways, rather it should include social, environmental and economic factors and corporates have to look into it from the philanthropic point of view.
- CSR review: The policies which are being formulated and implemented must be evaluated in order to attain the desired result. The organization that has invested on CSR activity must analyse the impact of a particular CSR activity on the society or the targeted section. But in India the scenario is opaque. Companies spend money on CSR activities only for personal gains and publicity. The long term benefits of CSR are not taken into account.
- Issue of transparency: There is no governing body to check as to how much amount has been spent on CSR activities. Hence, no regulation, of any sort is available or lined.

CONCLUSIONS AND SUGGESTIONS

CSR trends for India since 2017
2016 began with tremendous anticipation as the Paris agreement had been signed. While 2017 did not start with that much of a big bang there was hope that the landmark event of India ratifying the Paris accord in 2016 will bring in the much needed acceleration to India's sustainability journey. The trend of investors, consumers and governments requiring greater transparency from the private sector is nothing new, but today, business are becoming proactive and trying to de-risk themselves from charges of negligence. Threats to companies are coming from all directions. On one side are environmental factors such as absence of water or key materials that affect production. On the other side social factors such as human rights, liveable wages, working conditions, economic inequality and other issues are raising their head. As a result, social and environmental issues,

once seen as separate, are coming together inside some companies. The coming years will present an opportunity for companies to align efforts around intergovernmental initiatives such as COP21. Additionally, frameworks such as the Sustainable Development Goals (SDGs) will put increasing pressure around very specific targets.

CSR AS STRATEGY AND NOT CHARITY

Corporate India is finally realising that the short term approach of writing a cheque for the CEO's favourite charity is not prudent any more. Since CSR investments need appropriate disclosure and need to be done every year 2016 saw many companies holding back CSR funds if they didn't find appropriate projects. Less than 4% of CSR funds spent by top Indian corporates was given as charity as per our study. Companies are now looking at methods to add strategic brand value through these investments even if these are not directly related to the business they are in, as required by law. Since 2017 companies are asking NGOs for stringent reporting on existing projects and pooling
of resources amongst top corporates to build greater impact.

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