

INDIA'S EXPERIENCE IN THE CSR SPACE

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Abstract

With the country mandating the statutory route (the Companies Act, 2013) for corporates to honour their corporate social responsibility obligation, the researchers set out to examine the status of its implementation. They examined the status of corporate social responsibility in the country and stumbled upon a few missing links. They collected primary data from 30 companies and 30 CSR consultants, using purposive sampling under the non-probability method, for the purpose. Their findings revealed that not all companies pursued “shared value” in fulfilling their corporate social responsibility obligation. Companies sought accountability from non-government organisations who were their partners in the exercise. Transparency in selection of projects as required by rules 6 (1) (a) and rule 9 and mechanisms to check the genuineness of allocation on the part of companies figured prominently among the missing links. The researchers concluded that pursuit of shared values by companies was easier said than done. The companies were right in seeking accountability from non-government organisations, though; the latter was right in seeking transparency from their corporate partners. The two complemented each other in the implementation of corporate social responsibility. In some companies, the obligation was fulfilled by a motely crowd of internal managers rather perfunctorily.

Keywords:

Accountability;
mandate;
missing links;
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1.1 Introduction

The concept of business helping society in various ways can be traced to the good old days even in our country. However, it was not a mandated exercise. It was voluntary. Companies wanted to repay society for everything the society had done for them. Thus it was a social responsibility that some companies wanted to shoulder; or an act of thanksgiving on the part of the beneficiary companies. It was thanksgiving in spirit not in letter. The exercise was carried out unobtrusively, efficiently and promptly. There was an element of self-effacement about the whole exercise given the ethos of the traditional family businesses that ruled the roost in India in the good old days. These businesses have retained their relevance to the country's economy to this day. They believed that such welfare or philanthropic activities should not be trumpeted. In the circumstances, the act of discharging what the companies essentially deemed as a moral duty did not become a part of the present-day business lingo which calls it "corporate social responsibility". Today, the whole exercise is better known as a social responsibility thrust upon the corporates by the regulator. It has become a part of the corporate vocabulary in the west and in the emerging market economies (EMEs) like India.

1.2 Statement of the problem

India enforced CSR through the legislative route. CSR came into force in the country on April 1, 2014. The legislation that enforced it is the Companies Act, 2013. The legislation replaced the erstwhile Companies Act, 1956. The 2013 Act introduced several provisions which, it was hoped, would change the way Indian corporates conducted business. One of the provisions dealt with corporate spending on social responsibility activities. This move is significant given that until then, CSR had been taken up by corporates on a voluntary basis. Hence it is time the status of CSR enforcement is reviewed. It should help in identifying the missing links if any.

1.3 Review of literature

1. It has been a little over a year since the Corporate Social Responsibility (CSR) law came into effect on April 1, 2014 (India Forbes, 2015). Within such a short period, the entire landscape of CSR in India has taken a radical flight. Companies eligible under section 135 of the Companies Act 2013 have embraced the law and initiated a number of CSR projects across the entire spectrum as defined within schedule VII of the Act. Companies that traditionally

undertook CSR anyway—with or without the law—needed to only streamline whatever spends they made. For these firms, the concern or need was not so much about increasing spends multi-fold, but rather a chance to review and re-strategize what they had already been doing in order to fit into the requirements of the law. This retrofitting also included the setting up of a formal committee of a voluntary working group. For other companies, the need was to look at massively multiplying their CSR spend as compared to what they were spending previously. Such companies scaled up initiatives that they already had, replicating their solutions and benefits to a wider population. Further, they chose to look at new areas and pilot some initiatives in the first year.

2. With the implementation of the new company law from April 1, 2014, India has become the only country in the world with a legislated corporate social responsibility (CSR) and a spending threshold of up to USD 2.5 billion (INR 15,000 crore) (IANS, 2014). The new law mandates that all companies, including foreign firms, with a minimum net worth of INR 500 crore or a minimum turnover of INR 1,000 crore or a net profit of at least INR 5 crore, spend at least two percent of their profit on CSR. According to industry estimates, around 8,000 companies will fall into the ambit of the CSR provisions and this would translate into an estimated CSR spend of USD 1.95 billion to USD 2.44 billion. With higher economic growth and increase in companies' profits, this mandatory spending will go up.

3. According to Venkatesh Kumar, director of the Tata Institute of Social Sciences, there are some companies that are doing exceptionally good work; there are some who are catching up; there are some who have also not understood the concept of CSR and probably are not doing it the way it should be done (Alys, 2014).

1.4 Research gap

The reviewed literature has done well to highlight the pioneering effort made by India in the corporate social responsibility space. As one researcher has rightly said some companies are doing exceptionally well in the CSR space. However, the reviewed literature has not dealt adequately with the status of CSR implementation in the country today. Nor has it identified the missing links. It is this gap the present study proposes to bridge.

1.5 Scope of the present study

The study confines itself to companies and CSR consultants based in and around Bangalore.

1.6 Objectives of the study

The objectives of the study are to:

1. Examine the status of CSR implementation in the country today
2. Identify the missing links, if any, in the implementation of CSR

1.7 Hypothesis proposed to be tested

The study proposes to test the following hypotheses:

“Not all companies pursue “shared value” in fulfilment of CSR”

1.8 Research design

1.8.1 Research methodology

The study is descriptive in nature and has used the ‘fact-finding’ survey method

1.8.2 Sources of data

Primary data has been collected from the respondents, viz., 30 companies and 30 CSR consultants.

Secondary data has been collected from reputed finance journals, magazines and newspapers, in hard version and soft version.

1.8.3 Sampling plan

Companies: Given the rather limited number of companies operating in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been employed. Applying a minimum business experience of five years as the criterion, the researcher selected 30 such companies. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the

population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

CSR consultants: Given the rather limited number of consultants operating in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been employed. Applying a minimum business experience of five years as the criterion, the researcher selected 30 such consultants. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

1.8.4 Data collection instruments

Interview schedules, specially designed for the purpose, were administered to the respondents for collection of primary data.

1.8.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn on the basis of formation of H_0 and H_1 .

1.8.6 Limitations of the study

Primary data has sometimes been deduced through constant topic-oriented discussions with the respondents. It is possible that a certain degree of subjectivity, even if negligible, has influenced their views.

1.9 Companies

In the following paragraphs, the primary data collected from companies as well as CSR consultants, is analysed.

1.9.1 Status of the CSR programme in the country today

With the CSR regime already in force in the country for over two years, the researcher sought to know from the respondents the status of its implementation in the country today. Their replies to the query appear in the following Table.

Table-1**Status of the CSR programme in the country today**

Status	Number of respondents
Not all companies pursue “shared value” in fulfilment of CSR	25
Companies seek accountability from NGO partners	23
CSR activities are carried out in an unorganized way by a motley crowd of internal managers	21
CSR spend is treated as another item on the agenda of a company’s expenditure department	19

Not all companies pursue “shared value” in fulfilment of CSR, aver 25 respondents. Companies seek accountability from NGO partners, according to 23 respondents. CSR activities are carried out in an unorganized way by a motley crowd of internal managers, according to 21 respondents. CSR spend is treated as another item on the agenda of a company’s expenditure department, according to 19 respondents.

1.9.2 Missing links, if any, in the country’s CSR space

With the respondents coming out with their perspective of the status of the CSR programme in the country today, the researcher requested them to reveal the missing links, if any, in the CSR space. Their replies to the query appear in the following Table.

Table-2**Missing links, if any, in the country’s CSR space**

Missing links	Number of respondents
Metrics to gauge performance	24
Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9	21
Mechanisms and processes to check the genuineness of CSR allocation of companies	20

Metrics to gauge the performance is the missing link according to 24 respondents. Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9 is the missing link according to 21 respondents. Mechanisms and processes to check the genuineness of CSR allocation of companies is the missing link according to 20 respondents.

1.10 CSR consultants

In the following paragraphs, the primary data collected from the CSR consultants is analysed.

1.10.1 Status of the CSR programme in the country today

With the CSR regime already in force in the country for over two years, the researcher sought to know from the respondents the status of its implementation in the country today. Their replies to the query appear in the following Table.

Table-3

Status of the CSR programme in the country today

Status	Number of respondents
Not all companies pursue “shared value” in fulfilment of CSR	27
NGOs seek transparency from companies	26
CSR spend is treated as another item on the agenda of a company’s expenditure department	26
Companies seek accountability from NGO partners	25
CSR activities are carried out in an unorganized way by a motley crowd of internal managers	24
Company executives come under tremendous pressure to reveal CSR allocation to seniors.	24

Not all companies pursue “shared value” in fulfilment of CSR, aver 27 respondents. CSR spend is treated as another item on the agenda of a company’s expenditure department, according to 26

respondents. NGOs seek transparency from companies according to 26 respondents. Companies seek accountability from NGO partners, according to 25 respondents. CSR activities are carried out in an unorganized way by a motley crowd of internal managers, according to 24 respondents. Company executives come under tremendous pressure to reveal CSR allocation to seniors according to 24 respondents.

1.10.2 Missing links, if any, in the country's CSR space

With the respondents coming out with their perspective of the status of the CSR programme in the country today, the researcher requested them to reveal the missing links, if any, in the CSR space. Their replies to the query appear in the following Table.

Table-4

Missing links, if any, in the country's CSR space

Missing links	Number of respondents
Metrics to gauge performance	27
Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9	26
Mechanisms and processes to check the genuineness of CSR allocation of companies	25
Collection of audit opinions on CSR expenditure	25

Metrics to gauge the performance is the missing link according to 27 respondents. Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9 is the missing link according to 226 respondents. Mechanisms and processes to check the genuineness of CSR allocation of companies is the missing link according to 25 respondents. Collection of audit opinions on CSR expenditure is the missing link according to 25 respondents.

1.11 Summary of findings

In the following paragraphs, a summarised version of the findings arrived at in respect of the two categories of respondents is furnished.

1.11.1 Companies

✓ Not all companies pursue “shared value” in fulfilment of CSR, aver 25 respondents. Companies seek accountability from NGO partners, according to 23 respondents. CSR activities are carried out in an unorganized way by a motley crowd of internal managers, according to 21 respondents. CSR spend is treated as another item on the agenda of a company’s expenditure department, according to 19 respondents.

✓ Metrics to gauge the performance is the missing link according to 24 respondents. Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9 is the missing link according to 21 respondents. Mechanisms and processes to check the genuineness of CSR allocation of companies is the missing link according to 20 respondents.

1.11.2 CSR consultants

✓ Not all companies pursue “shared value” in fulfilment of CSR, aver 27 respondents. CSR spend is treated as another item on the agenda of a company’s expenditure department, according to 26 respondents. NGOs seek transparency from companies according to 26 respondents. Companies seek accountability from NGO partners, according to 25 respondents. CSR activities are carried out in an unorganized way by a motley crowd of internal managers, according to 24 respondents. Company executives come under tremendous pressure to reveal CSR allocation to seniors according to 24 respondents.

✓ Metrics to gauge the performance is the missing link according to 27 respondents. Transparency in selection of CSR projects as required by rules 6 (1) (a) and rule 9 is the missing link according to 226 respondents. Mechanisms and processes to check the genuineness of CSR allocation of companies is the missing link according to 25 respondents. Collection of audit opinions on CSR expenditure is the missing link according to 25 respondents.

1.12 Conclusions

Conclusions relate to the hypotheses. They are answers to the research questions.

1.12.1 Hypothesis testing

Hypothesis

As explained earlier, the following is the hypothesis proposed to be tested:

“Not all companies pursue “shared value” in fulfilment of CSR”

Hence H_0 and H_1 are as follows:

H_0 : All companies pursue “shared value” in fulfilment of CSR

H_1 : Not all companies pursue “shared value” in fulfilment of CSR

On the basis of the primary data collected from the respondents, vide Tables: 1 and 3, a chi-square test was applied to ascertain the association, if any, between the two variables. The following Table reveals the computation made using MS-Excel:

	Observed Values		
<i>Category</i>	<i>Yes</i>	<i>No</i>	<i>Total</i>
Company	25	5	30
CSR consultant	27	3	30
<i>Total</i>	<i>52</i>	<i>8</i>	<i>60</i>
	Expected Values		
<i>Category</i>	<i>Agree</i>	<i>Disagree</i>	<i>Total</i>
Company	26	4	30
CSR consultant	26	4	30
<i>Total</i>	<i>52</i>	<i>8</i>	<i>60</i>
	<i>Agree</i>	<i>Disagree</i>	
o-e	-1.0000	1.0000	
	1.0000	-1.0000	
(o-e) ²	1.0000	1.0000	

	1.0000	1.0000	
$((o-e)^2)/e$	0.0385	0.2500	
	0.0385	0.2500	
<i>CV</i>	<i>0.0769</i>	<i>0.5000</i>	<i>0.5769</i>
<i>TV</i>			<i>3.8415</i>
<i>p</i>			<i>0.9656</i>

The calculated value of χ^2 is *0.5769*, lower than the table value of *3.8415* for an alpha of 0.05 at one degree of freedom. Hence the null hypothesis is accepted and the alternate hypothesis is rejected.

1.13 Researcher's recommendations

1. It is a fact that not all companies pursue “shared value” in fulfilment of their CSR obligations. Pursuit of shared value leads to creation of economic value in ways that generate value for society. However, in practice many companies find it difficult to pursue shared value. Their CSR efforts are directed at philanthropical activities and activities directed at environmental sustainability as well. These are welcome too and hence the regulator should not object to these activities as well considering the ground reality.
2. It is perfectly in order for companies to seek accountability from their NGO partners and for NGOs to seek transparency from their corporate partners. The two complement each other and aid in satisfactory implementation of the CSR obligation. Hence the two parties should see eye to eye on the issue in the interest of the welfare of the society.
3. It is a fact that CSR activities are carried out in an unorganized way by a motley crowd of internal managers in companies. This is unfortunate. CSR should not be viewed the way any other expenditure item is viewed by the company concerned. The underlying intention is noble and CSR is one way of repaying the society for it has contributed to the company. Hence reducing CSR to the status of an expenditure item is clearly absurd.
4. The law warrants transparency in selection of CSR projects. Corporates would do well to abide by what rules 6 (1) (a) and rule 9 lay down for the purpose. Violation of these rules should be seriously viewed by the regulator.

Appropriate mechanisms and processes to check the genuineness of CSR allocation of companies have to be put in place. Otherwise, it will end up as another welfare activity in form and not in substance. India Inc and the regulator should jointly design appropriate mechanisms and processes for the purpose.