

## **CORPORATE SOCIAL RESPONSIBILITIES PRACTICES IN INDIA: A STUDY OF TOP FIFTY COMPANIES IN INDIA.**

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Corporate social responsibility (CSR) is seriously looked upon all over the world, and India is no exception. CSR has been attempting to increase the pressure on companies to behave in a socially responsible manner through corporate self-regulation and voluntary initiatives. Today across the globe CSR demonstrates a positive relationship between behaving in a socially and environmentally responsible manner and thereby is developing a competitive edge. The success of CSR is very much based on the way it is being practiced, today it is a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results such as profits, protection of environment and fight for social justice. A key challenge faced by Indian corporate business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies.

The objective of this study is to explore the various concepts, definitions and descriptions of corporate social responsibilities (CSR) and elaborates the development of CSR in India. This paper focuses on the top 50 companies in India based on their net profit for the year 2016. The paper explores and identifies the key CSR practices initiated by these 50 companies in India. This is a cross sectional study which is exploratory in nature. It involved secondary data collection and use of content analysis technique to assess CSR practices of these 50 companies

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operating in India and maps the CSR performance of the fifty companies. This study also gives a perspective on how top companies in India view and conduct CSR.

**Key Words: Corporate social responsibility (CSR), CSR reporting, CSR Policy, CSR committee**

### **Introduction**

Corporate Social Responsibility (CSR) is very well known as a system of gauging an organization's bearing on society and weighing their responsibilities. CSR is not all about getting involved in some charitable practices or having biological responsibility and a recycling policy, It is about the full representation of the company which is to be considered, right from internal practices to their stakeholders, taking in every step that a business generally goes through during its usual operations. It is a continuous assurance companies should have towards the economic, social and environmental development of the community within which they operate. Companies have today have keenly taken up to the cause of CSR in developing economies such as India. Corporate social responsibility is maintain an ecological balance which is involving companies to take up activities without any negative impact on their business. In India several companies have started realizing that it is a sensible move to take up CSR activities and integrate it with their business process. Corporations today are very much aware of their role towards the society, and is looking forward in contributing towards the up-liftment and empowering of their country. Thus, Companies today are appointing independent directors and teams that help in developing policies, strategies and goals which are for their CSR programs. These programs are based on well - defined social beliefs or are carefully aligned with the companies' business domain. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit.

India has been witnessing high economic growth since the last two decades, and continues to be one of the fastest growing economies in the world and has made progress on several development indicators. Despite the progress India has been experiencing, challenges persist. The country continues to face several challenges in health and sanitation, education, water, un-employment, environment and others. Introduction of the Companies Act 2013, had bought a

dramatic change in the dynamics of Corporate Social Responsibility in India. Among other things mandated companies to spend 2% of their average net profits of the past three years on CSR. This initiative by the government of India strengthen the relation of the business with communities and also better transparency and governance around CSR. Furthermore, India is one among the first few countries in the world which has mandated CSR spending as well as its reporting. CSR Initiatives can be used as a communication tool in engaging with different stakeholders including shareholders, regulators, communities, customers and the larger society.

The objective of this research paper is to explore and identifies the key CSR practices initiated by the top 50 companies in India based on their net profit for the year 2016 as per BSE was considered for the analyses. CSR reporting of these 50 companies, their CSR policy, CSR committee, disclosure on CSR in the annual report, CSR spends and their activities were reviewed based on the availability on their website as on April, 2016. This is a cross sectional study which is exploratory in nature. It involved secondary data collection and use of content analysis technique to assess CSR practices of these 50 companies operating in India and to map the CSR performance of the fifty companies considered.

### **Conceptual Review of CSR**

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 referred to as Corporate Social Responsibility. It is generally 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.

Corporate Social Responsibility has been defined from diverse perspectives. **Mohr** defines CSR from two perspectives namely multi- dimensional and definitions based on social marketing. A

multi-dimensional definition mainly focuses on social responsibilities for corporations, while social marketing concept defines CSR according its impacts on society.

As to **Dahlsrud** defines CSR into five dimensions, including: the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntariness dimension.

**Freeman** asserts that businesses have responsibilities for groups and individuals who can both influence and be influenced by business operation.

**Khoury, Rostami** state that CSR encompasses relationship between a company and all their stakeholders, such as customers, employees, communities, owners/ investors, government, suppliers and competitors. According to them, the corporate social responsibilities consist of community service, the improvement of relationship with employees, job creation, environmental protection and financial returns.

**Hopkins**, defined CSR from the stakeholder perspective. He points out that CSR treats a company's stakeholders in a moral and responsible way in an effort to attain the two-fold goal of maintaining profit and improving the living standard of stakeholders inside and outside the company.

**Basu and Palazzo** defines CSR as a firm's response to stakeholders' concerns about business operation and social affairs, these stakeholders include government, non-governmental organization and consumers.

**Davis and Blomstrom**, defines CSR from social perspective, they state that CSR refers to actions taken by a corporation to protect and improve social well-being and corporate interests.

**Kotler** defines, CSR as a means for running the firm in a way which can maintain and improve social well-being.

**McWilliams and Siegel**, regards CSR as a firm's responsibility to enhance social interests, this responsibility goes beyond laws and the firm's interests.

According to **Matten and Moon**, CSR is defined as policies and actions adopt by a corporation to reflect its responsibilities to advance social interests.

Finally to conclude from the above definitions, corporate social responsibility is a commitment to improve the well - being of the community. It is not charity but a core business strategy of an organization. It is a way through which corporate strikes a balance between economic, social and environmental imperatives. The concept of CSR very much includes the openness or transparency of companies simultaneously taking into consideration the will and expectations of their stakeholders.

### **Evaluation of CSR in India**

CSR is not new to India. CSR can be traced back in different phases as follows: The phase one of CSR was referred to culture, religion, family tradition and industrialization. Business operations and CSR engagement were mainly referred to corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices, especially in the development of community. During the pre-industrial period up to the 1850s, merchants committed themselves more towards religious reasons, sharing their wealth, for instance, by building temples. Moreover, (Arora, 2004) "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". Under colonial rule, Western type of industrialization reached India and changed CSR from the 1850s onwards. (Mohan, 2001), 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.

The phase two of Indian CSR (1914-1960) was dominated by country's struggle for independence and influenced fundamentally by Gandhi ji's theory of trusteeship, which aimed to consolidate and strengthen social development of the country. During this period, it was observed that Indian businesses actively were 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 third phase of Indian CSR (1960-1980) was affected by the paradigm of the “mixed economy”, with the emergence of PSUs and ample legislation on labour and environment standards. This period was also characterized by shift from corporate self-regulation to strict legal and public regulation of business activities. During this phase, the public sector was seen as the prime mover of development. (Arora, 2004), The 1960s was described as an “era of command and control”, because of strict legal regulations determined the activities of the private sector. The introduction of high taxes regime, 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 was raised as a 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

In the fourth phase (1980 until 2013) 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. Subsequently, controls and license system were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora & Puranik, 2004).

Finally, after the passage of Companies Act 2013, notification of CSR rules and further notifications (hence forth referred as the Act) can be seen as a move by the Government of India to strengthen the relation of the business with communities and also better transparency and governance around CSR. While the Act provides the overall guidance framework for the corporates to lead their CSR initiatives, it also provides ample autonomy and flexibility to design and implement programs. Furthermore, India is one of the first few countries in the world which has mandated CSR spending as well as its reporting. Internationally, disclosures on CSR have been in place for since few years now. Sector specific, mandatory CSR has also been in place.

**Literature Review** The early roots of corporate social responsibility can be referred back to 1917, when Henry Ford announced that the aim of Ford Motor company is that “To do as much

as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it ... and incidentally to make money” (Lee 2008, p. 54). There by Eighty years later, Henry Ford’s great-grandson, William Clay Ford Jr clearly emphasized that Ford company valued all stakeholders’ interests as well as the social welfare of employees and shareholders, as he said that “we want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us” (Meredith 1999, p. 157).

Ford was one of such company, who initiated social responsibility activities from the business perspective. (Wartick and Cochran 1985). In this very book Bowen (1953) argues that firms need to be aware of business ethics in order to achieve long-term superior performance. CSR initiatives are very important in the context of business ethics (Maignan and Ferrell 2004).

Since the last 58 years, several findings have caught the attention of CSR practitioners and scholars. These include studies which suggested that CSR activities provide an “insurance-like” protection when negative events happen (Godfrey et al. 2009); that firms with higher CSR ratings may have a sustainable competitive advantage rooted in human capital as they attract more and better employees than firms with lower CSR ratings (Carmeli 2005; Hunt et al. 1989; Turban and Greening 1997) , and Consequently, in order to pursue sustainable development, and, achieve a good reputation in a fiercely competitive market, more and more companies are publishing their CSR disclosures and CSR reports.

Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people. Khanna, Parul (2011).

CSR today holds a very significant place in the development scenario of the world today and can pose as an alternative tool for sustainable development. As companies are showing great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. (Ahmed, Khalil, Mohammad).

Corporate sustainability is an evolving process and not an end. The Companies bill was a good initiative on the part of the government however what needs to be included in 'spending' on CSR is still unclear and is left for the companies to decide upon (Urmila Moon).

Corporates' have clearly exhibited their ability in making a significant difference in the society and improve the overall quality of life, from responsive activities to sustainable initiatives. In the present social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporates in india has great expertise, strategic thinking, manpower and money in bringing about extensive social change. Effective integration between corporate, NGOs, educational institution and the government will place India's social development towards tremendous growth (Usha, L, 2012).

### **Corporate Social Responsibilities Practices in India: Observations and Findings of the Fifty Top Companies with the Highest Net Profits in India**

Businesses across the world are operating under highly complex and competitive environments. Companies today can no longer afford to shield themselves from the rapid and transformational changes happening in the society. Similar trends are observable in the Indian business scenario. Businesses are being monitored and evaluated like never before on new dimensions.

All the fifty companies have their CSR policy available on their respective websites. Expect one out of the 50 noted companies have made their CSR policy available in the public domain for the second year in a row from 2014 to 2016. Twelve percent of these companies have failed to disclose details regarding the monitoring framework of their CSR policy.

About Ninety Six per cent of companies have disclosed their vision / mission philosophy guiding their CSR programmes. Ninety Two per cent companies have disclosed details regarding CSR governance. Forty Seven companies have disclosed details regarding CSR committee in Directors' Annual report; however, three companies have failed to disclose CSR committee details for the year. All fifty companies have an independent director on the CSR committee.

Fifty Eight per cent of the companies have more than the prescribed number (three) of CSR committee members, while the rest have the prescribed number of CSR committee on the board which is clearly a good indication from the governance front. Thirty eight per cent had women members in their CSR committee. Seventy two per cent had held two or more CSR committee meetings during the year.

During the current year, Ninety four percent companies have made disclosures on CSR in their Directors' Report. Three companies have failed to provide CSR details in the prescribed format for the year 2016. Twelve percent companies have failed to disclose details regarding CSR spend in the Directors' Report.

Forty eight companies have presented their CSR vision / mission in the Directors' Report. Forty seven companies have disclosed details on the focus areas of CSR intervention in the Directors' Report. During the current year, ninety six percent of the companies have reported details regarding the outreach / people impacted.

During the current year, Eight two per cent of companies have disclosed the direct and overhead expenditure towards CSR projects. There is almost a increase of Sixty two per cent in companies clearly disclosing the direct and overhead expenses as compared to the previous year, which indicates an increase in better financial monitoring of projects by companies. Eight percent of companies have spent more than five per cent of their total spends towards administration, which is not in line with the requirement of the Act.

The health, sanitation and education sector accounts for the highest per cent of the total spends on CSR against 50 per cent in last year, it was observed an increase CSR spent on rural development sector has considerably increased in 2015-16. Certain areas in Schedule VII such as National Heritage, Support to War Veterans, PM Relief Fund, Sports, Technology Incubators, Slum Development, was very less when compared to the total spends this year.

During the current year, almost thirty nine percent of the companies were required to specify the reason for not spending the amount, of which all have given an explanation. Few reasons given

by companies for not being able to spend 2 per cent towards CSR include long gestation period with budget spread over 3-5 years, scaling up of activities, multi-year and long term projects, difficulty in identification of appropriate partners, exploring new opportunities and areas of intervention, and delay in planned spends all this resulted into lessor utilization of ear marked budget for the period 2015-16.

Interestingly, financial institutions and services, mining, automobile, cement and energy and power sector companies have spent more than the prescribed 2 per cent CSR budget in the range of 102 per cent to 116 per cent.

Disclosing details regarding mode of implementation is a mandatory requirement of the Act. Over 92 per cent companies have disclosed their mode of implementation in the CSR policies.

The role of NGOs is well reflected from the director's report. Most of the corporate do collaborate with NGOs for the implementation of their projects while few of the corporate have constituted their own Implementing Agency.

Ninety two per cent companies have disclosed details regarding the CSR governance structure. Disclosing CSR governance structures is a good practice and indicates progress towards increasing transparency and accountability.

### **Conclusion:**

Corporate houses in India are increasing in realizing their stake in the society and engaging in various social and environmental activities. CSR as a strategy holds a very important place in the development scenario of India today through the corporate and can create as an alternative tool for sustainable development. As companies have been showing great concerns for their immediate community and to their stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy through the corporate aligns these initiatives with their business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and

focused on what really matters. This study provides insights into an area of growing concern of firms towards society.

It is observed that firms have been putting forward great efforts for the achieving their business goals and thereby strengthening their business goals with social responsibility practices. Though CSR has come a long way in India , it is in the right direction, From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is huge. It is observed that corporates have the expertise, strategic thinking, manpower and capital to facilitate wide social change. Effective partnerships between corporate, NGOs, educational institution and the government will place India's social development towards the path of tremendous economic growth. As per the changing market demands, need of the hour is for the development of CSR framework that has been imposed by the government. So that, we can all contribute to make better planet to live in.

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## Annexure

**Corporate Ranking based on Net Profits For The Year 2015-16 as per BSE, Average Net Profits for the last three years, Prescribed CSR Expenditure, CSR Amount Spent And Unspent by the top Fifty Corporates.**

Rank	Company	Net Profit(Rs. Cr)	Average net profit for the last three years(INR Cr)	Prescribed CSR Expenditure (INR Cr.)	Amount Spent (INR Cr.)	Amount Unspent (INR Cr)
1	Reliance	27,417.00	27899	557.78	651.57	
2	TCS	22,882.70	19050	381.42	381.42	
3	Coal India	16,343.53	16300	326	326	
4	ONGC	16,003.65	16000	320	302.73	17.27
5	Infosys	15,786.00	12800	256.01	202	54.01
6	HDFC Bank	12,296.21	12400	248	194.81	53.19
7	IOC	10,399.03	8831	88.31	92.21	
8	NTPC	10,242.91	17482	349.65	491.8	
9	SBI	9,950.65	7196	143.92	143.92	
10	ITC	9,844.71	9804	196.08	162.08	33.5
11	ICICI Bank	9,726.29	8630	172.6	103.56	69.04
12	Axis Bank	8,223.66	8151	163.03	137.41	25.62
13	Hind Zinc	8,166.58	6316	126.33	63.25	63.08
14	Wipro	8,099.00		16	16	
15	Bharti Airtel	7,546.50	6890	190	190	
16	BPCL	7,431.88	5630	112.6	154.66	
17	HDFC	7,093.10	6963	139.26	85.7	53.56
18	Power Finance	6,113.48	7289	145.79	260.09	

19	Power Grid Corp	6,026.72	6089	121.79	121.79	
20	REC	5,627.66	6200	128	128	
21	Vedanta	5,471.88	1079	21.58	21.58	
22	Larsen	5,311.46	5073	101.46	101.46	
23	Tata Steel	4,900.95	7,518	150	150	
24	HCL Tech	4,733.68	6,106.44	122.13	122.13	
25	Maruti Suzuki	4,571.40	3269.1	65.4	65.4	
26	HUL	4,082.37	4597	93.94	92	
27	HPCL	3,862.74	2,696.07	53.92	71.67	
28	Bajaj Auto	3,652.41	4,323.05	86.46	86.46	
29	Tech Mahindra	3,220.00	2,070.10	41.4	41.4	
30	M&M	3,167.48	4,247.45	84.95	84.95	
31	Hero Motocorp	3,132.37	3,329.52	58.18	58.18	
32	NMDC	3,028.33	9,664.05	193.28	193.28	
33	Siemens	2,888.00	4659	64.56	28.61	35.95
34	Lupin	2,885.07	1,025.00	20.51	20.51	
35	Adani Ports	2,841.58	2020.17	40.4	40.81	
36	Idea Cellular	2,616.66	2744	54.88	54.88	
37	Yes Bank	2,539.45	2,387	47.75	45.23	2.52
38	NHPC	2,440.14	2,440.14	72.68	72.68	
39	Oil India	2,330.11	4415.73	88.31	92.21	
40	MRF	2,327.72	1127.26	22.55	9.09	13.46
41	GAIL	2,298.90		102.34	102.34	
42	Indiabulls Hsg	2,294.12	159,1	32	32	
43	IndusInd Bank	2,286.45	2,137.95	42.76	42.76	
44	UltraTechCement	2,174.65	2,891	57.82	6.93	50.89

45	Kotak Mahindra	2,089.78	2,366.37	16	16.41	
46	Interglobe Avi	1,989.72	947.35	18.95	18.95	
47	Reliance Infra	1,985.82	1,418.15	28.36	32.5	
48	Cadila Health	1,977.30	822.77	16.45	16.45	
49	Torrent Pharma	1,763.34	820.33	16.41	16.91	
50	LIC Housing Fin	1,660.79		35.4	10.8	24.6
	<b>Total</b>			<b>6033.4</b>	<b>5957.58</b>	<b>496.69</b>
<a href="http://www.moneycontrol.com/markets">www.moneycontrol.com/markets</a>						