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Corporate social responsibility in changed economic scenario

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Abstract

This paper examines the question of measurability of the impact of Corporate Social Responsibility on Business Performance. It starts with describing newer trends of spending money from bringing better quality products to society upliftment, showing that one can observe a shift from the classical short-term analysis with particular focus on soft indicators, such as employee and customer satisfaction that contribute to the long-term success of a company. The paper goes on to give an overview of latest trends in the field of Corporate Social Responsibility and then offers a possible way to measure its impact on business performance on the basis of the stakeholder concept in India. All companies with turnover of Rs.1000 crores and more - or a net worth of Rs 500 crore and more or net profit of Rs.5 crore and more - will have to spend at least two percent of their three-year average profit every year on CSR activity and should have a CSR committee of the board consisting of three or more directors,". The Government is now planning to increase its contribution from 2% to even 5%.....Indian Government

Multi-National Companies are always ready to spend more than what government insist for CSR, otherwise they cannot survive in the long run.... Narayana Murthy, founder Infosys.

Keywords: Corporate social responsibility, business performance, stakeholder concept, social upliftment

Introduction

Corporate Social Responsibility is emerging as a novel field in the management research today. In the age of globalised world, the concept of CSR can't be ignored by the corporate firms. By keeping in mind the changing market scenario business firms have to change their work culture as per the market demands. In India, many firms have been practicing the initiatives of Corporate Social Responsibility (CSR) activities to meet the needs of the society. Social responsibility refers to the range of activities from providing safe products and services to giving a portion of the company's profits to welfare organizations with a philanthropic perspective.

As part of social responsibility, business organizations should conduct its operations in a free and fair manner by discharging its commitment towards satisfaction of stake holders such as customers, employees, competitors, government and general public. It adds an additional dimension to the economic development of the company.

In dynamic environment today, nothing is perpetual but from past many years or from the business industries origin word „social responsibility,, i.e the concept of social upliftment transformed into philanthropy, dashvandh and now Corporate Social Responsibility.

Again every business firm has to work under some social environment that is known as society and as a good entrepreneur one has to responsible for society in which the company is operating such as helping society by means of preserving the environment, safe- guard of Natural resources, recycling of wastage, education and health of public. All these activities constitute initiatives which require a huge amount of effort for the association between them and society as glance. The other activities which can be included are contributions to PMNRF (Prime Minister's National Relief Fund) or any other government for socio-economic development, funds for scheduled caste and tribes, other backward classes, minorities and women.

In India many firms have taken the initiatives of CSR to cater the common needs of the public. However, Ministry of Corporate Affairs (2013-14), India is expecting annual CSR

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spending of Rs.15,000- 20,000 crore (Rs150-200 billion) to see the new law as an investment opportunity to create a better work environment, rather than a forced expenditure. The Government also has left the canvas wide open for the companies to decide on their own about CSR activities. The ministry also stressed that few areas prescribed under the law are only suggestive in nature and it should not be seen as a restrictive.

Under the Indian Company Act,2013 which has replaced nearly six-decade old legislation governing the way corporate function and are regulated in India, all profitable companies with a sizeable business would have to spend at least 2percent every year of three-year average profit on CSR works. This would apply for all companies with annual turnover of Rs.1000 crore and more, net worth of Rs.500 crore and more or a net profit of Rs.5 crore and more. This can be spent collaborating with other firms also. The same can be reflected in annual CSR report. Throughout the world, India is the first country to have Corporate Social Responsibility provisions in statute.

It is generally claim that firm's Corporate Social Responsibility initiatives could increase company profits and thus large firms are actively engaged in it. They realize that Corporate Social Responsibility can promote respect for their company in the market pace which can result in both customer and employee loyalty. It not only reduces the costs but also increases the efficiency in the production. But corporate executives and managers need statistical evidence. It is reviewed in many researches that it may improve profits. However, connecting profit growth to abstract variables that are frequently difficult to define and correlate is challenging one.

Statement of the Problem

Especially in a market in which competition is increasing and globalization demands for better competitively, business leaders need to pay close attention to Business Performance. However, although the necessity to partake in Business Performance analysis and evaluation in order to improve policies and processes is easily understood in theory, putting this concept into practice is not as easy as it may seem., the companies learn to evaluate themselves and to measure their own progress for continual further development. This is difficult to do in prosperous times. It is more difficult to maintain this commitment in a time of rapid technological innovation cycles; rising international competition; fundamentally changing processes; frequent changes in the economic, social, and customer environment; and, last but not least, in a time of financial or economic crisis.

Furthermore, member states are not only asked to update their individual CSR strategies, but also to prepare for some further regulatory intentions. Some business associations (e.g. the German Chamber of Commerce and Industry) are rather hesitant to accept mandatory CSR requirements promoted by the Commission, although the value and importance of CSR for society is acknowledged. Also, there is more and more awareness that CSR activities are not only merely of charitable nature, but that they also contribute to a positive image of the company, to increased employee and customer satisfaction as well as to other soft factors that need to be taken into account when measuring business success. These developments consequently lead to the

question: Is it possible to measure the impact of CSR activities on business performance; and if so, how?

This paper is designed to answer how activities of corporate social responsibility will benefit the company public and society as a whole.

Scope of the Study

This study is focused on CSR activities impact on business performance of the company. It enabled to touch both qualitative and quantitative elements in measuring the performance of the company. The study is carried from financial year 2010-11 to 2013-14.

Objectives

1. To analyses the impact of CSR activities on business performance of the company.
2. To evaluate different range of CSR activities in relation to nature of business.

Research Methodology

The information is collected through both primary and secondary sources during the last three financial years. That information was utilized for calculating performance evaluation and based on that interpretations are made.

Primary Data: The data that is collected from public, employees and customers related to CSR activities of various firms by structured questionnaire.

Sources of Secondary Data

1. Most of the calculations are made from the published data in company websites.
2. Referring standard texts and referred books collected some of the information regarding theoretical aspects.

Sampling Design

The sample is made by random sampling technique to reduce bias and pre-judice. The sample size is 300.

Limitations

Inspite of this study provides an insight into the financial, personnel, marketing and other aspects of CSR, the below mentioned are the constraints under which the study is carried out.

1. One of the factors of the study was lack of availability of ample information. Most of the information has not disclosed clearly.
2. Time is an important limitation. The whole study was conducted in a period of 30 days, which is not sufficient to carry out proper data collection.

Hypothesis

H0: There is no effect of CSR on business performance of the company.

Literature Review

1. Study by Moan *et al.* suggested an integrative framework of corporate social responsibility design and implementation. It consists of nine steps- Raising awareness within organization, corporate purpose in social context, precise vision, current status, strategic plan, internal and external communication, evaluation and policies.

2. According to John Simmons focused on importance of social responsibility and ethics in long-term development of the company.
3. Research by Hanke and Stark proposed a conceptual framework as a basis to develop a company's CSR strategy so as to make it more visible and manageable. The framework separates two factors: legitimation and sense making in organisational environment.
4. Study by Chaudhri and Wang examines CSR communication by IT companies and found that they are lagging behind in creative and effective on their websites.
5. According to Blomback and Wigren Corporate Social Responsibility going to be very important concept and research topic in the study of the organizations due to its performance linked with what they are contributing to society.
6. Chapple and Moon observed that corporate website reporting in seven Asian countries is not homogeneous but varies among countries.
7. Pederson has developed a model of how corporate managers perceive the responsibilities of the business towards society. Still, companies need to work upon the concept of Corporate Social Responsibility.
8. Lather and Paul Hill, A paradigm shift is required in Corporate Social Responsibility.
9. Peter and Crammer (2006) stated that strategically Corporate Social Responsibility can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit the society, surveys show that companies should operate in ways that secure long-term economic performance by avoiding short-term that is socially detrimental or environmentally wasteful.
10. Saeed depicts that Corporate Social Responsibility initiatives in India are now taken by many corporate firms. Especially for the FMCG companies, where the major challenge is reduction of packaging materials, these companies are doing work in the field of Environmental care, Health care, Education, Community development, Women's empowerment and girl child care. Company like HUL is working on carbon-dioxide reduction also.
11. Benerjee *et al.*, suggests that environmental orientation is the recognition by managers about the importance of environmental issues faced by their firms. Today Corporate Social Responsibility is emerging as a core focus area for an increasing number of organizations, which are looking at new and innovative ways to contribute to the communities they operate in.

Table 1: The CSR focus, methodology, and impact and business linkage of 30 companies

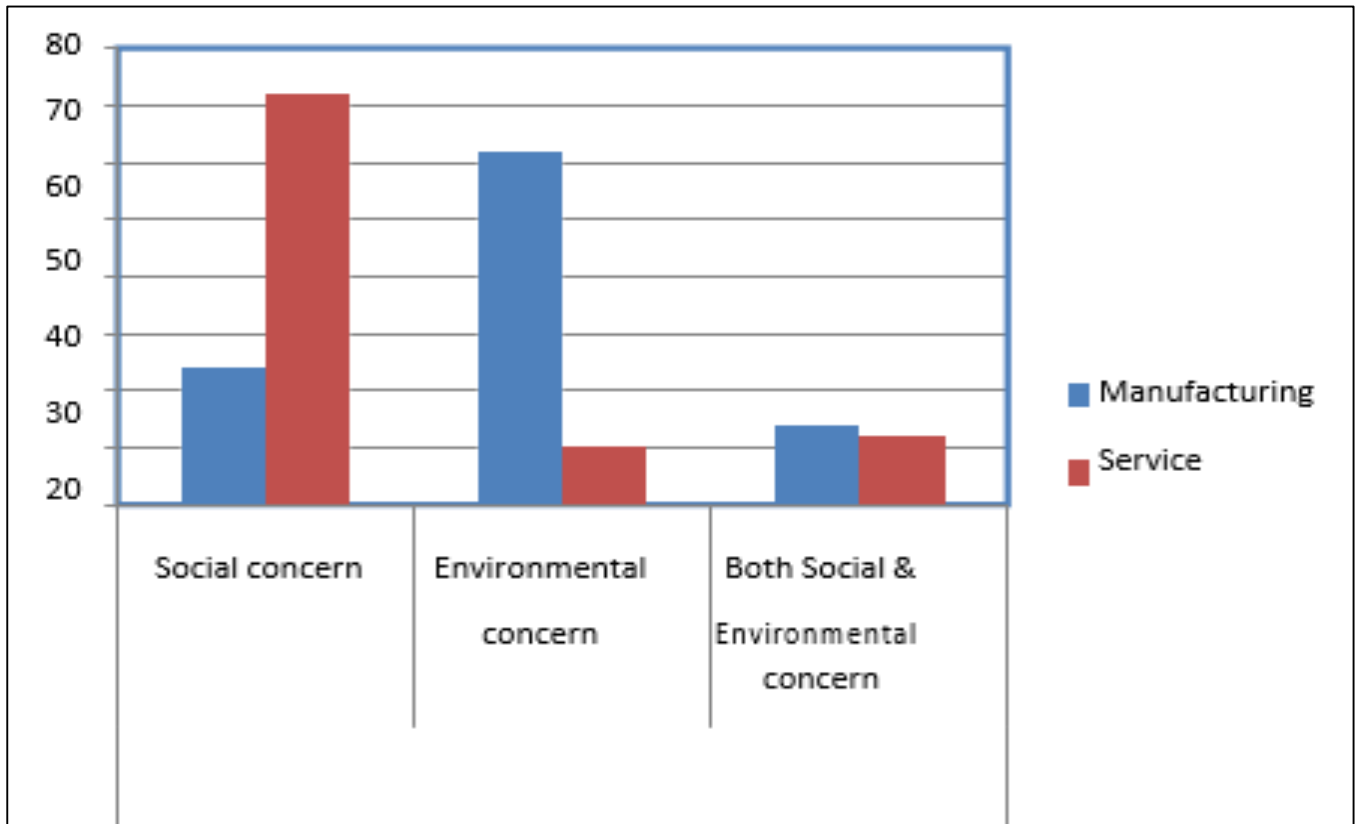
Company	Type	Focus Area	Business Linkage	Methodology Adopted	Impact
Bajaj Auto	Auto	Development of weaker sections of society	Indirect	Trust Undertakes long-term projects in rural areas.	Community Development
Castrol India	Chemicals	Strengthens link between business & social investments	Indirect	Rehabilitation of earthquake affected victims in Gujarat. Castrol Drive for Safety Initiative	Community Service
Mahindra & Mahindra	Auto-mobile	Sharing wealth and promote primary education	Indirect	College establishment Nani Kali (underprivileged girl child) 1% Profit after tax for CSR activities Free education for girls Lifeline Express: medical facility Free surgeries	Community Development
Infosys	IT	Support and encourage underprivileged sections	Indirect	Infosys Foundation provide medical facilities to remote rural areas, organizing novel pension schemes and aiding orphans and street children and rural education program titled "A library for every school", Human Capital Education index for its employees	Successfully implemented projects
ITC	FMCG	"Citizen First" watershed development program; Empowering Farmers; Greening Wastelands and Irrigating dry lands	Indirect	Through "eChoupal" organizing farmers into water user groups that plan and build water harvesting structures Primary education Livestock development Social forestry Integrated watershed development First to be certified SA 8000 standard	Supplier and community development
L & T	Engg.	Enhancing shareholder value and responsibility for welfare of society at large	Indirect	Eco Friendly approach; Create awareness on HIV/AIDS; and waste minimization, Health One of the first corporate to launch HIV/AIDS program	Community Service and environment protection
Dabur India	Pharma FMCG	Give back some part of what Dabur has gained from community	Indirect	Establishment of Sundesh, NGO Programs for ecological regeneration & protection of endangered plant species Promoting health and hygiene amongst the underprivileged through Trust and Create environmental awareness amongst young minds	RM Supplier development
BHEL	Engg.	Community and Product development	Direct	Adopted 56 villages and provided infrastructure for schools for physically challenged children near its units Launched wind electric generators, solar heating systems, solar photovoltaic systems, solar lanterns and battery powered road vehicles	Benefited over 80,000 people. Minimize environmental impact of fossil energy products,
Tata Steel	Engg./Metal	"Improve the quality of life of the communities it serves."	Indirect	Through "Green Millennium" campaign planted 1.5 million surviving trees Through Employment Generation, Building people, education, health and hygiene	Settling Sustainability Standards
Wipro	IT	Learning Enhancement	Indirect	Through trust: Provide rehabilitation to survivors of	Community Service

Company	Type	Focus Area	Business Linkage	Methodology Adopted	Impact
		Disaster rehabilitation		natural calamities and Enhancing learning abilities of children from underprivileged sections.	
ICICI	Financial	Empower millions economically & socially challenged Indians.	Direct	Through initiatives Give India; Shop; Volunteer; and Info change.	Community development
Colgate - Palmolive	FMCG	Colgate care for the community where they live & work	Direct	Free oral care education Through different community programs	Community development
Britannia Industries	FMCG	Wadia Group Community conscious, desire to share Prosperity with community.	Direct	Welfare of its workers through trust Health care facilities	Employee development Support
BPCL	Petrochemicals	Community development	Indirect	Through Health, Rain water harvesting, Infrastructure development, education, HIV Health care and prevention.	Community services
Godrej	Engg & FMCG	Promoting education, housing, social upliftment, conservation, population management and relief of natural calamities	Indirect	Three Foundations/Trusts to contribute to Social, Environmental, and Educational causes.	Employees'' involvement in Group's philanthropic efforts.
Grasim Industries	Textile Engg Chemicals	Social and economic development of the communities in which we operate	Indirect	Through "Aditya Birla Centre for Community Initiatives and Rural Development". Includes education, Health & family welfare, Sustainable development & livelihood & agriculture & watershed development, Infrastructure development & Social causes	Community Development
Cipla	Pharma	Cipla Care	Direct	Cipla Foundation Through Dr. K. A. Hamied Institute & Cipla Cancer Palliative Care Centre	Community service
Johnson & Johnson	Pharma FMCG	Support good works and charities.	Direct	Through donations of time, money and goods. Women's and Children's Health Community Responsibility Access to Care Advancing Health Care Knowledge Global Public Health	Community Services
Hero Honda	Auto- mobile	Do something for community from whose land we generate our wealth	Indirect	Through Integrated Rural Development Centre including : Hospital, Sports complex, Vocational Training Centre, Adult Literacy Mission, Marriages of underprivileged girl, Rural Health Care	Community development
NIIT	IT	Narrowing the digital divide across the world,	Direct	Through launch of International Women's Month uplifting Indian women, Computer literacy. Developed ILearn Create awareness about AIDS	Community services
Zee Telefilms	Entertainment	being successful is to be socially responsible	Direct	Public Service Ads / Fillers telecast to date are: Campaigns on TV	Community Service
Dr Reddy's Lab	Pharma	Prosperity of communities integral to success of companies	Direct	Through Environmental: Water Usage Energy Usage Wastewater Discharge COD & TDS Load Discharge H Whazardous waste disposal GHG emissions	Environmental Protection
Satyam Computer Service	IT	Contributing to the wellbeing and development of society	Indirect	Specific services through various development projects	Community Service

Company	Type	Focus Area	Business Linkage	Methodology Adopted	Impact
Novartis	Pharma	Treatment for Leprosy	Direct	Free Multi Drug therapy. Cured 4.5 million patients	Community services
TCS	IT	Flexible Global business practices	Indirect	Global delivery model: Global deployment & delivery of high value services	35 Countries benefited
Citi group	Financial services	Women empowerment	Direct	Rehabilitation Education Health	Community services Benefited states AP, TN, Karnataka, Kerala, Maharashtra, MP
NTPC	Power	Rehabilitation & Resettlement policy, community work, gender equality, Policy of grant of paternity leave,	Direct	Founded Global Compact Society for India in 2003	Community services
SAIL	Manuf.	Community development	Direct	AIDS awareness Education Medical facilities and health Development of small scale/ancillary industries Agriculture, poultry, fisheries	Community development
Hindalco	Manuf.	Poverty Alleviation Program	Direct	Asian CSR award for Integrated Rural Poverty Alleviation Program	Community development

Data Analysis and Interpretation

Nature of Business	Type of CSR Activity		
	Social concern	Environmental concern	Both Social & Environmental concern
Manufacturing	24	62	14
Service	72	10	12



Conclusion

It is observed that 62% of manufacturing companies are concentrating on CSR activities in terms of environmental concern. Massive production may damage natural resources, Hence, these companies are trying to rebuild resources for the future generations by initiating the activities like plantation, recycling of resources and pollution free product

design. It is also observed that 72% of service organizations are focused on social concern CSR as their activities does not harm environment much. The CSR activities concerned to public health, education, transportation and power are given priority.

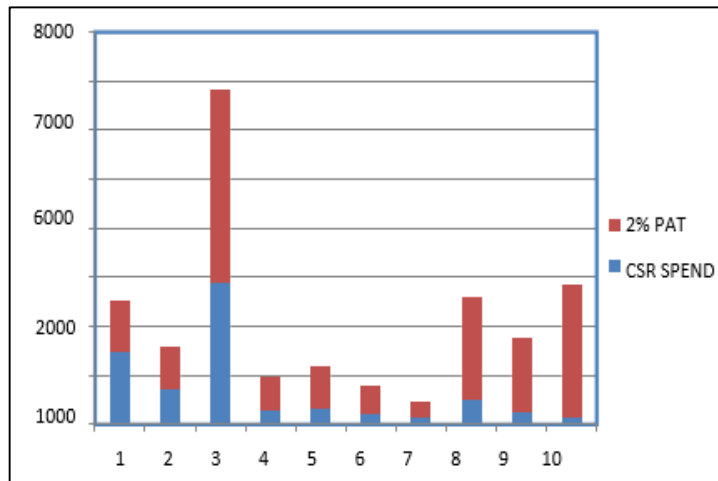
Company profits and its CSR spend

Name of the company	PAT	CSR SPEND	2% PAT	variance	Variance %	CSR 10 India RANKING
Tata Steel	53,898	1460	1078	382	35.4	1
Larsen & Toubro	144565	700	891	-191	-21.5	2
Reliance Industries	197240	2880	3945	-1065	-27	3
Hindalco Industries	33970	280	679	-399	-58.8	4
BhartiAirtel	42954	330	859	-529	-61.6	5
Mahindra & Mahindra Ltd	28790	220	576	-356	-61.8	6
Maruti Suzuki Ltd	16352	120	327	-207	-63.3	7
Tcs	104135	510	2083	-1573	-75.5	8
Icici Bank	76429	240	1529	-1289	-84.3	9
Tata Motors	135165	150	2703	-2553	-94.5	10
Total	733498	6890	14670	-7780	-53.0	

(CSR 10 India Index 2012, Anup Tiwari& Shweta Shukla, www.fundraisingindia.org; May 2013)

Findings

By applying Karl Pearson Correlation Coefficient for (X) =PAT 2% and Y= CSR Spend Correlation coefficient (r) = $\sum xy / \sqrt{\sum x^2 \sum y^2} = 0.479$



- It is found that only 50% of the CSR funds are utilized by top 10 CSR companies. It indicates that companies are focussing their time more on their core business activities than CSR.
- There is a huge variation among the companies CSR spending pattern. Hence companies should spend CSR fund consistently rather than out of compulsion.

- It is positive correlation. Hence we can conclude that there is an impact of CSR spent on performance of the company.

This means that there is a relationship between what company do in the form of CSR will show positive opinion among the people in the society.

Customer survey data Analysis

	Opinion on CSR activities			
	Employees	Customers	Public	Total
Customer loyalty	32	62	71	165
Brand equity	21	27	10	58
Employee Morale	34	5	12	51
Reduction of Operating cost	13	6	7	26
Total	100	100	100	300

Null Hypothesis (h0): There is no association between stakeholder’s opinion and CSR activities of firm. By applying Chi-square test, we get the following results.

Observed Frequency (O)	Expected frequency (E)	O-E	(O-E)2	(O-E)2/E
32	55	-23	529	9.61
62	55	7	49	0.89
71	55	16	256	4.65
21	19.33	1.67	2.78	0.14
27	19.33	7.67	58.82	3.04
10	19.33	-9.33	87.04	4.5
34	17	17	289	17
5	17	-12	144	8.47
12	17	-5	25	1.47
13	8.66	4.34	18.8	2.17
6	8.66	-2.66	7.07	0.81
7	8.66	-1.66	2.75	0.31
Total				X2= 53.06

X2 calculated = 53.06
 At degree of freedom (v) = (c-1) (r-1) =3(4) =12 and Level of Significance =5% X2 table value = 53.06
 Since the chi square calculated value is more than table value, Ho is rejected.

Conclusions

From the data analysis, it is found that there is a degree of association between CSR activities and business performance of the firms. In the globalization world, the concept of CSR cannot be ignored by corporate firms. Companies need to spend time, efforts and money for CSR activities by changing their work culture.

Suggestions

- CSR and other social responsible practices should become more visible.
- CSR should be integrated in education, training and research with potential funding Possibilities.
- It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective
- It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain.
- It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives.
- As a result, a long term and sustainable perspective on CSR activities Should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

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