Issues in Corporate Social Responsibility: An Study in Indian Context

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ABSTRACT

Labour Law India is the member of International Labour Organization. India’s Domestic Law on Child Labour, Child Labour (Prohibition and Regulation) Act (1986), ban employment of children in some dangerous occupations, such as factories and mines, and regulate the working conditions in others. According to this law, anyone above the age of 14 will be regarded as an adult and will not be protected by the child labour regulations. According to UNICEF, insufficient attention has been given in India to eliminate the worst forms of child labour. The 1986 child labour law does not cover children in all sectors. India has the world’s highest number of child labourers under 14 years.

THE ENVIRONMENT

The main law on environment and production is The Environment (Protection) Act (1986). This law gives the central government the authority to protect and improve environmental quality, as well as control and reduce pollution from all sources.

RIGHT TO INFORMATION AND CORRUPTION

In the Transparency International Corruption Perceptions Index in 2008 in was ranked as number 85 out of 180 countries. The introduction of RTI has led to changes in the transparency regarding establishment and implementation of strategies, programmes and laws. It is also opening for access to information in areas where the authorities have left out important aspects, and give the public a possibility to require important information. RTI is additionally an important tool in regards to environmental management.

INTRODUCTION

India has become one of fast growing economies of the world. It is growing at the rate of 9% p.a. As an emerging market all are looking at India from an international perspective. At the stage when India is set to acquire a global position, it is essential to gauge whether the economic growth is due to successful business operations. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across India had realized the importance of being associated with socially relevant causes as a means of promoting their brands. Cause-related marketing and corporate social responsibility has provided companies with a new tool to compete in the market. CSR refers to the corporation’s obligation to all the stakeholders. It stems from the desire to do well and get self-satisfaction in return as well as societal obligation of business. This could be a strategic marketing activity a way for a company to do well by doing good-distinct from sales promotion, corporate philanthropy, corporate sponsorship, corporate Samaritan acts and public relations. Now, it is assumed to be responsibility of the business houses too.

Nothing builds brand loyalty among today’s increasingly hard to please consumers, like a company’s proven commitment to a worthy cause. Other things being equal many consumers would do business with a company that stands for something beyond profits. In nutshell, CSR and cause related marketing results in increased sales, visibility, and consumer loyalty and enhanced company image along with positive media coverage.

Rural India has a population of 700 million people spread across 6,38,000 villages. Thus more than 60 per cent of India’s total population is rural by nature. A report by National Council of Applied Economic Research (NCAER) shows that rural consumers comprise more than 50% of consumers and are a prime market for consumer goods and essential services. Culture is the pillar of our country and if the pillar has strength, then it can raise our country to a top level. Organizations are helping to sustain as well as revive the rich culture of the country through their programs. Today, India’s literacy rate stands around 65 per cent, up from 52 per cent in 1991. (NSSO Survey) Considering

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the rate of increase, it would take some 20 to 25 years to clear this problem. Hence, the CSR agenda of corporate consider rural development as one of the important dimension.

On the other hand, a non-profit organization is an organization, which exists for providing some benefit or assistance or a sort of self-help group. Like the name suggests, the organization will have all the properties of a profit-making organization, i.e. a mission statement, a vision, offices, infrastructure etc., but the objective will not include making a profit out of its operations. However, to run any organization, funds are needed, and this has to come in to the non-profit in terms of financial i.e. grants, subsidies, donations etc or services in terms of staff support or infrastructure support. The sources for these funds could be individuals, the government or other charitable institutions and finally companies. These business houses through their CSR (Corporate Social Responsibility) initiatives contribute to the mission of social progress and growth of India.

DEFINITION

The definitions of “Corporate Social Responsibility” (CSR) has been debated since many years. CSR models were initiates in the early 1960s. It showed the “social” aspect of CSR as referring directly to those responsibilities above and beyond economic and legal obligations (Carroll, 1979; Waddock, 2004; Matten and Crane, 2005). Many considered corporate social responsibility synonymous with voluntary and philanthropic acts by business organizations which are designed to alleviate social ills or in order to benefit a disadvantaged group chosen by the corporation’s managers.

The World Business Council for Sustainable Development in its publication “Making Good Business Sense” by Lord Holme and Richard Watts, used the following definition. “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

“CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government”, CSR is about business giving back to society.

Traditionally, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

According to Philip Kotler, “Corporate Social Responsibility: Doing the Most Good for your Company and Cause” does a terrific job of describing the range of corporate social initiatives and suggests best practices for choosing, implementing and evaluating them.

Thus, corporate social responsibility has been a topic that has received a lot of attention in recent years (Sethi, 1995).

Need for the Study

The basic aim of the study is to gain familiarity or formulating a problem or to achieve new insights into it. In this particular study, an attempt has been made to comprehend and gain insight into behavior or attitude of companies towards various aspects of social contribution. This study deals with the behavior of the corporates. It tries to identify complex behavior and set patterns in it. The present study relates to the attitude of 50 companies in India so as to predict the behavior. Why will any company give funds or services to a non-profit? The government will provide for funds and or services as it is responsible for the social welfare of the people. Similarly a charitable institution will do the same as it is their objective to help the social cause. An individual may donate to a nonprofit due to reasons of philanthropy, or in memory of some person etc, but why does a commercial organization contribute for a social cause? The basic objective of a commercial organization is to make profits. Why will it divert substantial funds to a nonprofit if there is no return on that investment?

Objective of the Study

The objective of the study is as under:

I. To understand why an organization contributes to a social cause.
II. To understand what the Corporate expects to gain in the CSR process.
III. To study — Is it philanthropy, is it a feeling of obligation to the society in general,
IV. To understand financial benefits in terms of tax exemptions over the CSR activities.
V. To understand the general response from the mass public over these activities in their areas.

Research Design Process

To understand the reason why an organization contributes to a social cause, it was necessary to get an insight into the organizations’ view of the business, its views, its policies, the reasons why it contributes and its objectives and relationships with all its stakeholders, i.e. employees, customers, suppliers, shareholders and society. The questionnaire was designed accordingly to get the relevant information from the respondents. In this study we have adopted convenience sampling. Population of study includes companies located in India.

Sources of Data Collection

The research consists of the application of both primary and secondary data. Primary data was collected by administering questionnaire.

The secondary data was collected through websites and from various journals and magazines. Reasons for contribution to CSR by organizations were a sensitive issue. Hence we had to gain the confidence of the management otherwise a study of this nature was impossible.
The questionnaire was administered to various companies. Anonymity of responses was promised. While it was sent to about 70 companies, only 50 companies responded. The responses were obtained through the human resource departments of the company or indirectly through the concerned department or official handling the area. The questionnaire was coded into SPSS and then the data from the questionnaire entered into the database. While frequency and cross tabulations were used for most of the data analysis, factorization was used to group attributes, which were important reasons for contributing to a social cause.

The Analysis and Findings

Views towards business: 82.4% of the companies seem to strongly agree that business means maximizing benefits, making money and doing your work well. No company disagrees on this point. 17.6% more agree than disagree to the same. 76.5% says that business is making money. 88.2% strongly agree as well as agree that it is all about social responsibility while 17.8% more disagree than agree.

Place for ethics in business: 88.3% believe that there is place for ethics in business. However, a small majority, 11.8% strongly feel that there is no place for ethics in business.

Business & Economic attitude: 82.3% believe that business needs only an economic attitude while 17.7% respondents felt that business does not need an economic attitude, balance feel it is needed.

Social Policies: 70.6% of the corporate connect to the community through social activities, and 23.5% through specific NGO. Only half (52.9%) have a clear-cut policy on social development. 64.7% feel that their social responsibility is towards both the community and their employees. 29.4% feel that their social responsibility is only towards their employees. 35.3% have not adopted any village or social organization. The participation of the company in various activities is mixed, with no clear-cut trend emerging.

Donations: 70.6% feel that giving a donation will not increase the image of the company. However, 29.4% give donation to benefit from tax. However, cross tabulation of these two parameters revealed that only 71.4% respondents who said that donations do not improve its image while 28.6% respondents say that giving donations improves image building. About 50% contribute to a social cause, invest as a long-term investment. 70% responded that they do not donate for tax.

Credo of the Organization

Principal Component Factor Analysis methodology was used with varimax method to identify the relevant factors which has been consistently identified as primary by the respondents. The rotated component matrix was used, as it would be easier to determine which variables are loaded on which factor.

Factor analysis shows that 4 main factors used by organizations as their credo.

Factor 1: As company value: Internal stakeholders which include humane approach, employee and customer satisfaction, quality of life.

Factor 2: Profit Maximization, which include team work and profit maximization.

Factor 3: Social Responsibility, which combines with hard working behavior.

Factor 4: Ethical Practices.

CSR: Objectives and Relationships with Stakeholders

Customers: 47.1% have their objectives towards the customer as satisfying them by providing quality, and within this, 50% term their relationship as friendly. Another 29.4% objective is to give good value and satisfactory service.

Shareholders: 41.2% objectives are more towards good returns and 35.3% express the real picture of the company, while 23.5% assure profit to its shareholders.

Employees: 64.7% feel that their objective towards the employees is to motivate to achieve goals and rewards, 23.5% satisfy by fulfilling needs while 5.9% feel that their relationship is that of family feeling and another 5.9% provide them with an opportunity for self development.

Suppliers: 5.9% have their objective as mutual benefits, which also explain that it feels its relationship is that of a teammate (29.4%). Balance is equally divided in terms of relationships. Almost 47.1% company’s objective vis-à-vis suppliers are quality and price of product related.

Community: Over 52.9% of the companies have social welfare as the objective towards the community. 11.8% companies have stated that their relationship with the community is that of a family member so as to provide help to the target group who needs it and 17.6% have stated that their relationship is cordial and friendly. They are sensitive to the needs of the community and another 17.6% include community welfare in the objectives of the company.

Some of the Corporate Social Responsibility Practices in India

“Corporate Social Responsibility Practices in India sets a realistic agenda of grassroots development through alliances and partnerships with sustainable development approaches. At the heart of solution lies intrinsic coming together of all stakeholders in shaping up a distinct route for an equitable and just social order....”

Indu Jain
Chairperson, The Times of India Group, New Delhi

The above lines epitomize the soul of the National Survey on corporate social responsibility – Corporate Social Responsibility Practices in India.

Times Foundation, the corporate social responsibility wing of the Bennett, Coleman & Co. Ltd., in partnership with TNS India and IRRAD undertook a national survey to understand the underlying dynamics of CSR and the current situation in India. CSR is not new to India; companies like TATA and BIRLA have
been imbibing the case for social good in their operations for decades long before CSR become a popular cause. Inspite of having such life size successful examples, CSR in India is in a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. It is followed by a handful of public companies as dictated by the very basis of its existence, and by a few private companies, with international shareholding as this is the practice followed by them in their respective foreign country. Thus the situation is far from perfect as the emphasis is not on social good but rather on a policy that needs to be implemented.

The Norwegian Embassy and Innovation Norway have established a CSR Forum for Norwegian businesses in India, called the NPR Advisory Group. This Forum comprises major Norwegian businesses established in India. The Forum may offer examples of best practice and information sharing, and is further planning a big CSR-seminar next year.

“CSR: A Cornerstone of Enduring Success”—At Indian Oil, Corporate Social Responsibility (CSR) has been the cornerstone of success right from inception in the year 1964. The Corporation’s objectives in this key performance area are enshrined in its Mission statement: “…to help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience.”

Indian Oil Corporation have defined a set of core values for its employees – Care, Innovation, Passion and Trust – to guide them in all they do. They take pride in being able to claim all their countrymen as their customers. That’s why, they coined the phrase, “Indian Oil – India Inspired”, in their corporate campaigns. Public corporations like Indian Oil are essentially organs of society deploying significant public resources. We, therefore, are aware of the need to work beyond financial considerations and put in that little extra to ensure that they are perceived not just as corporate behemoths that exist for profits, but as wholesome entities created for the good of the society and for improving the quality of life of the communities they serve.

As a constructive partner in the communities in which it operates, Indian Oil has been taking concrete action to realise its social responsibility objectives, thereby building value for its shareholders and customers. The Corporation respects human rights, values its employees, and invests in innovative technologies and solutions for sustainable energy flow and economic growth. In the past five decades, Indian Oil has supported innumerable social and community initiatives in India. Touching the lives of millions of people positively by supporting environmental and health-care projects and social, cultural and educational programmes.

Besides focusing primarily on the welfare of economically and socially deprived sections of society, Indian Oil also aims at developing techno-economically viable and environment-friendly products and services for the benefit of millions of its consumers, while at the same time ensuring the highest standards of safety and environment protection in its operations.

Suggestion/Recommendations:
- More and More Corporate should come forward to various CSR activities.
- The HR in specific should plan special modules for encourage employees to initiate CSR programmes.
- The Local Bodies, Associations, VIPs, CAs and Doctors collectively join hands to develop such activities in their surroundings.
- The Government should encourage special plans to boost corporate thereby the employees and local residents could be benefitted.
- Each and every citizen of the society should be made and feel responsible for the development of his surroundings.
- It should be the responsibility of every citizen uplift the morality of his fellow citizen and encourage to follow the footsteps of top leaders who have sacrificed their life for the betterment of the society and nation.

CONCLUSION
The study was conducted to find out the company’s reasons towards corporate social responsibility on cause related and its impact on the company’s brand image and sales. The important factors that influence the company to contribute are: Customer oriented, Ethical oriented, Community oriented, Humane oriented.

Financial benefits in terms of tax benefits also are important, though the responses to this issue seem to be guarded. Companies must generate awareness to the various stakeholders regarding its contribution to corporate social responsibility through its affiliation with social cause through event management (Mumbai marathon events) and company websites as it is directly related to increase in sales and brand loyalty. India being a developing country with over 250 million strong middle class families has a large potential for any marketer and at the same time it can support quiet a good number of causes which benefits the society at large. e.g. due to operation of CRY’ a NGO 89244 children lives were permanently transformed 1013 communities experienced 100% school enrollment, 159 primary health centers began functioning and long term rehabilitation program were initiated in almost 100 tsunami affected villages in Tamil Nadu, Andhra Pradesh and Kerala and earth quake relief and rehabilitation programs were initiated in 11 villages in Jammu & Kashmir. So we can conclude that corporate social responsibility and cause related marketing is beneficial both for company and the society.

LIMITATIONS
While companies have responded, 25% of them (spokesman) have requested that the source should not be mentioned, i.e. the company should not be identified. The sample size being very small, the result of the study may not represent the whole population.
REFERENCES


