

Technology a Catalyst in Corporate Social Responsibility Spending of Indian Companies



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Abstract

Globally, there is a growing concern about the impact of business on environment and society. It is not enough for businesses to get financial returns only; they need to get social returns also. The people, companies, governments are all recognizing this fact and looking at the social performance of entities. Financial performance alone is not the indicator of success for a business today. Important indicator of sustainable development of economy is measuring the performance of businesses in terms of what impact their operations have had on environment, society and government. In India, entities have always been involved in social initiatives. In the corporate world, earlier corporate social responsibility (CSR) was basically a conceptual requirement. There was no compulsion to contribute for the social initiatives. The new Companies Act 2013 has made it mandatory for corporates to contribute for a better society and cleaner environment. The authors have tried to gauge the contribution of the corporates in the context of Companies Act, 2013. The paper is an attempt to study the spending of Indian companies for the CSR. The study is based on the articles, studies, reports and news in relation to CSR. The study also assesses the patterns of the spending to understand the ecosystem. The study can be used as an instrument to understand the ground reality of the implementation of the provisions of Companies Act, 2013 and the receptiveness of India incorporation. Also, to identify the companies which are leading and can be the role model for the followers.

Keywords: Corporate Social Responsibility, Companies Act 2013.

Introduction

In today's time, the agencies are looking at the impact of business on environment and society. Gone were the days when the financial returns were the sole criteria to judge the performance of a business; now there is a growing concern on the social impact also. The returns on investment is not the only indicator for success. Now the sustainable development is the yardstick to assess the performance of businesses in terms of their impact on people, planet and profit.

According to CSR Asia (2007), "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders". World Business Council for Sustainable Development (1999) defines CSR as "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 the local community and society at large".

Corporate social responsibility (CSR) is a process to ensure businesses are conducting sustainable business activities in a manner that has a positive impact on consumers, employees, communities, general public and the environment. It is a self-regulatory mechanism adopted by corporates to ensure that all its business activities are according to law, follow ethical standards and international norms. It is a procedure where corporates learn to respect legislative laws, moral values, people, communities and the natural environment.

Also, the Indian government wants the business units to include CSR in their vision, mission and in their strategic plans. Through these CSR initiatives, government wants to bring about overall development of society, rural development, healthcare, sanitation, education and promoting sports activities too.

In India, earlier CSR was basically a conceptual requirement, but now a legal requirement too as per Companies Act 2013, which corporates needs to adopt in order to achieve a better society and cleaner environment. This study is an attempt to assess the changing landscape of CSR initiatives in the light of the new Company Act, 2013. As per the Act, companies with a net worth of INR500 crore (cr.) or more, or a turnover of INR1000 cr. or more, or a net profit of INR5 cr. or more in a given financial year must spend 2 per cent of their net profits on CSR programmes (to be calculated as per Section 198 of the Act).

Objectives of the Study

1. To study the efforts of top Indian companies in Corporate Social Responsibility.
2. To analyse the spending in various CSR sectors by selected companies.
3. To understand the patterns of CSR spending.

The Concept of Corporate Social Responsibility in India

CSR is not a new concept in India and has traditionally been seen as a philanthropic activity and tends to focus on what is done with profits after they are made. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship.

Some large corporate like Tata group, Birla group and Indian Oil Corporation have been engaged in community improvement programs. Through donations and charity programs they have been doing their bit for society. The basic objective of CSR those days was to maximize company's goodwill and reputation. Corporate philanthropy was the term used for CSR wherein traditions, culture, religions and family values strongly influenced corporate philanthropy.

In recent years, Indian companies are beginning to realize that CSR is not just another indirect expense, but is essential in the present scenario to defend them against competition, to protect their goodwill and reputation and to remain competitive. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects.

Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports,

sustainability reports and even publishing CSR reports.

Benefits of a CSR program

Better Financial Performance

The corporates can benefit from CSR by using eco-friendly measures. Such eco-friendly measures can be beneficial to environment and also provide economic benefits to companies. Operational efficiencies also help in streamlining information provided to investment community and to other stakeholders, leading to transparent operations.

Improved Relations with Stakeholders

It has been observed that companies that follow CSR generally outperform those competitors who do not apply CSR practices. This has led to creation of funds such as Socially Responsible Investment, Social Equity Fund etc. Large numbers of mutual funds are now considering CSR criteria when screening those businesses that do not meet environmental standards.

So, a CSR approach not only improves the stature of the company, its stock market value but also its ability to access capital. Open dialogue is maintained, effective partnerships are formed and transparency is maintained in operations between stakeholders and the companies. The relationship between the business and the community becomes more credible and trustworthy.

Enhanced Employee Relations, Productivity and Innovation

A key benefit of CSR initiative is that it increases the commitment and motivation of employees to become more innovative and productive. There is increased loyalty and commitment amongst employees.

Improved Reputation and Branding

This is a potential benefit of CSR, which helps a company to improve its reputation and branding. This helps the company to remain effective for the longer term, attract more of new customers and increase their market share. It also enables the company to position itself in the marketplace as a company that is more responsible and sustainable than its competitors

CSR as a Form of Investment

Business can also view CSR as a form of investment, which would help to differentiate the company and its goods and services. In order to develop CSR initiatives, firms can invest in areas like human resource management, environmental protection, health and safety, community development etc. CSR is intangible and less quantifiable, so firms should consider various factors and parameters and also the anticipated costs and benefits from the investment.

Research Method

The data collected for the study is secondary sources. The authors have referred news, surveys, studies and reports to assess the state of CSR spending in India. The base report which has been utilized is the 'India CSR Outlook Report (ICOR)' which is an annual research publication of NGOBOX, presenting the CSR spending of 359 big companies having INR 1 Cr. or above prescribed CSR in FY

2017-18. They are also listed on BSE or subsidiary of a BSE-listed company.

The Changing Landscape

Role of Public Sector

Public sector enterprises account for over 1/4th of India's total CSR spend. This highlights the role of public sector in the landscape of CSR. Being efficient and productive, the private sector always boasts about the performance, but it lacks its contribution in the CSR initiatives.

Growth in CSR Spending

The trend shows that there has been an increase of 6% in the prescribed CSR and actual increase in CSR spending is 8% from financial year 16-17. The number of projects has also increased by 25% which highlights the growing interest of the businesses.

This shows the receptivity of the industry for the social initiatives. The corporates are realizing the

importance of CSR activities and now they are ready to join this movement of social progress. The CSR compliance is 93% for the financial year 2017-18. The prescribed CSR budget was Rs. 9543.51 crores and the actual spending is Rs. 8875.93 crores. This is a good sign and in future the industry can fill this gap.

Filling the Gap

Between 2012 and 2015, the United Nations with the help of their partners have conducted the survey an unprecedented worldwide consultation through online and offline methods. The survey aims to capture people's voices, priorities and views on sustainable development to inform the policy makers (CSR Asia, 2015). The priorities are: Education; Honest and Responsive government; Healthcare; Job Opportunities; Food; Equality among Genders; Clean water and Sanitation; others. The thematic distribution of CSR funds are as follows:

Table 1: Thematic Distribution of CSR funds

Thematic Areas	Amt (INR Cr.)	Number of Projects
Education and Skills Development	3121	1822
Poverty Alleviation, WASH and Healthcare	2385	1564
Rural Development	1004	467
Environmental Sustainability	961	507
National Heritage, Art and Culture	274	132
Women Empowerment	158	199
Sports and Rural Sports	140	143
Corpus Fund	122	8
PM Relief Funds and Similar Funds	35	37
Armed Forces Veterans, War Widows	9	21
Technology Incubation	3	10
Urban Slum Development	2	2
Others	464	142
Admin Expense	192	170
Employee Volunteering	4	9

Source: CSR Outlook Report (2018)

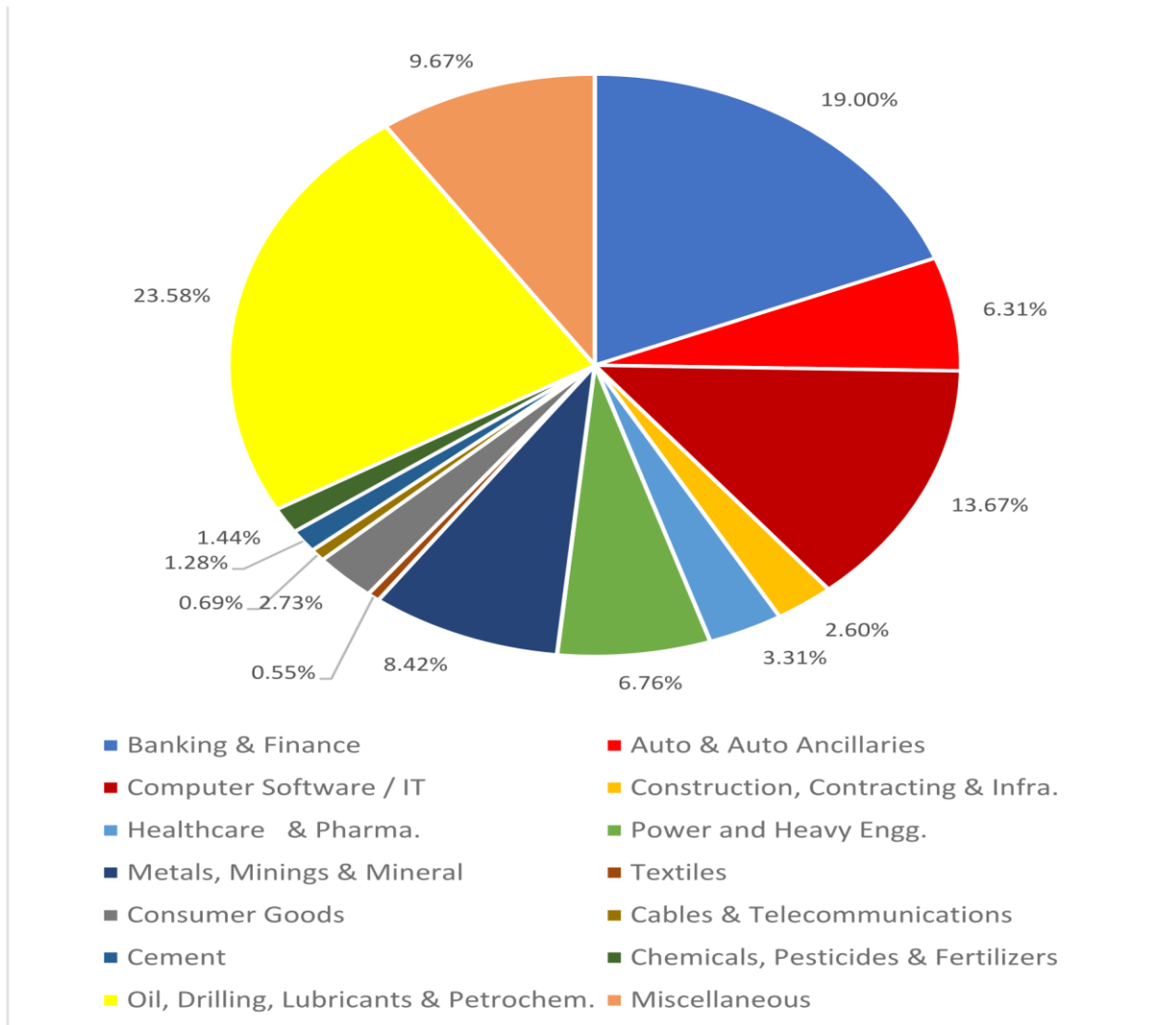
The Role Models

The states which have pioneered in the CSR fund are Maharashtra, Karnataka and Gujarat. These states have received over 25% of India's total CSR fund. The top ten companies which have actually

spent the most are Wipro Ltd., Tata Steel Ltd., NTPC Ltd., ITC Ltd., Infosys Ltd., Indian Oil Corporation Ltd., HDFC Bank Ltd., TCS Ltd., ONGC Ltd., Reliance Industries Ltd.

Figure 1: Sector Wise Share in CSR Fund

Business Sector-wise Share in India's Total CSR Spend



Source: CSR Outlook Report (2018)

Oil, refinery and petrochemicals sector companies top the list with almost 1/4th of the CSR fund of India. The next in the priority list is the Banking and Finance companies having 19% of the CSR funding. The third is the Computer Software and the IT industry with 13.67% of the CSR fund. These three industries are contributing more than half of the CSR funding in India. The other sectors don't have significant contribution in the funding.

Obstacles

The major reasons for unspent money by the industry are as follows: Running long term projects, process underway; still identifying the partners and projects; budget sanctions and projects will begin in the next year; approvals pending with the government; others. This also reflect the preparedness of the industry. Some are already ready to join the movement and others are still trying to figure out the avenues for the initiatives. Those who

have pioneered in this area can become the role models for the followers.

Conclusion

The landscape in which corporates are working is changing and the role of business houses have changed from just profit-making entities to the drivers of social change so technology is playing a very critical role in enhancing the aspect of corporate social responsibility in Indian companies. The companies all over the world are at the crossroads looking for the future directions. Some are investing in social initiatives while some are still not convinced with the idea of CSR funding. In addition to this, the governments are also coming up with legislations to formalize the role in the social change domain.

The stakeholders are also forcing companies to contribute and become the vehicles for social upliftment. India, a country where philanthropy had always been an essential part of the business entities, business houses have also aligned to the objective of

CSR. The companies have started realizing the worth of CSR and its advantages for their business. Some have taken the lead and becoming the role models for other industry players. Some are still confused and seek directions to follow the suit.

The market will mature over a period of time where the trailblazers will benefit the maximum with high employee loyalty, better reputation amongst the stakeholders and higher returns than the counterparts. Those who catch up will also able to reap the benefits. Companies who lag will have to pay a higher price for the ignorance.

Every country should embrace the remarkable concept of individuals and businesses forming a partnership to support social causes. In the context of India, such a partnership has enormous potential for strengthening society. It reduces dependency on the government for social change. However, the challenges in India are enormous. The goodwill firms can generate from acts of social responsibility may, in fact, be worth far more to the businesses than the amounts they give. Corporations collectively can make India a better place for every citizen.

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