ABSTRACT

Corporate social responsibility symbolizes the relationship between the company and the wider community. There has been an accelerated action in the area of Corporate Social Responsibility and corporate governance during the last two decades. With the advent of globalization, liberalization, large scale privatization and the breakdown of traditional models of governance and business societies, business models across the world have transformed at a rapid pace and continue to evolve continuously. As a result of all these factors, a large share of global resources are being controlled by private enterprises while governments increasingly are moving towards restricting their influence to limited spheres such as defense, law and order and policy making. A substantial part of the world’s consolidated wealth is under the control of a small minority of business enterprises who originate both from developed and developing countries. The amount of wealth controlled by these business enterprises is increasing at a drastic rate as these enterprises accumulate profits every year and that in turn increases their share in the global wealth. As a matter of fact the revenues of few business enterprises is more that the GNP of few small countries of the world. These developments have resulted in few organizations having access to large amount of resources and hence ability to influence the larger community both socially and economically. On the other hand the ability of governments to spend large amount of resources on social and economic development is decreasing because of their decreasing access to wealth. Many governments across the world look forward to rich and large business enterprises to participate, contribute and play a major role in the economic development of the country. Many business enterprises have been instrumental in bringing out large social and economic transformation in the communities they operate. While some enterprises consider it as an natural obligatory responsibility to contribute to social and economic development of the communities they operate in and actively engage in corporate social responsibility, a majority of organizations driven by profit only motivation are apathetic to the society and community around them.

The basic objective of most business organizations is indeed profit maximization. However, business leaders have realized that sustainable profit maximization is the ideal way to handle business which supports the company’s long term interests. Research has revealed that expenses on corporate social responsibility
activities might appear to negatively affect the organization’s financials in the short term but these expenses on CSR get amortized in the form of increased financial performance over longer term. Corporate social responsibility has the potential to influence the organization’s holistic performance which includes both financial and non-financial performance parameters positively both in the short as well as long term.

The study explores the relationships between CSR activities and performance of the organizations both from external and internal viewpoint. It takes into consideration financial parameters such as operating profit margin and return on capital employed, etc and non-financial parameters which include employee commitment, job satisfaction and reputation. The study considers 708 employees working in various IT companies in Karnataka.

For the purpose of this study primary data was generated by administering a detailed questionnaire to IT professionals on corporate social responsibility of their organizations. Primary data was also collected through questionnaires on the non-financial performance parameters like job satisfaction, commitment to organizations and internal reputation of organizations. Secondary data was collected to understand the financial performance of the organizations on various parameters and also the extent to which they are involved in corporate social responsibility. The data obtained from respondents through personal interview with questionnaires was coded using SPSS software.

The findings of the study reveal the nature of the relationship between the CSR activities and the way they influence performance of organizations on both financial and non-financial parameters. The study shows that there is a positive relationship between CSR of organizations and performance of organizations on certain financial and non-financial parameters. CSR is found to be positively related to financial performance parameters including return on capital employed, return on equity, return on assets, net profit margin, operating profit margin and non-financial parameters including employee job satisfaction, employee commitment to organization and internal reputation.
In conclusion, this study has confirmed as to how it is beneficial for corporations to spend on CSR by indicating a positive relationship between CSR activities and performance of organizations in IT sector. Corporations need to integrate CSR as part of strategic planning in all their domains including marketing, human resources, financial planning and operations. In addition IT companies are well positioned to work under the latest regulations of CSR mandate as prescribed by the new Companies Bill as compared to companies in other industries.