A Critical Study of CSR Activities of Large Scale Enterprises in Western Maharashtra

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INTRODUCTION

Corporate Social Responsibility:

Corporate Social Responsibility (CSR) is associated with the conduct of corporations and in particular whether corporations owe a duty to stakeholders other than shareholders. While the phrase ‘Corporate Social Responsibility’ may be gaining momentum, the concept itself is not new. The question as to whether corporations owe duties to broader stakeholders has been debated at various times throughout the twentieth century.

Corporate history provides many examples of company’s pursing profit without regard to relevant CSR matters, including:

- Nike factories in Asia were criticised for extremely poor working conditions and for employing young children;
- Nestle received criticism in relation to its’ practices including unethical marketing and utilising a supply chain that uses child bonded labour;
- Ford Pinto scandal whereby Ford, although aware of a fatal design flaw, decided it would be cheaper to pay off possible law suits with regard to resulting deaths instead of recalling and fixing the affected cars;
- Shell’s joint venture with the Nigerian government where, in 1995, Ken Saro-Wiwa and eight others were executed largely due to leading a non-violent campaign against environmental damage associated with the operations of multinational oil companies, including Shell and British Petroleum. Shell was criticised for not using its power to intercede with regard to the executions; and;
- Enron manipulated electricity in order to maximise profits at the expense of Californian citizens.

Historically, a narrow view of corporate responsibility has been enforced whereby a corporation’s responsibility extends only to maximising profits. In today’s global environment, CSR has gained significance largely due to the following:
• globalisation and the proliferation of cross-border trade by Multinational entities resulting in an increasing awareness of CSR practices relating to areas such as human rights, environmental protection, health and safety and anti-corruption;
• organisations, such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO), have developed compacts, declarations, guidelines, principles and other instruments that outline norms for acceptable corporate conduct;
• access to information and media enables the public to be more informed and to easily monitor corporate activities;
• consumers and investors are demonstrating increased interest in supporting responsible business practices and are demanding more information as to how companies address risks and opportunities relating to social and environmental issues;
• recent high profile corporate collapses have contributed to public mistrust and the demand for improved corporate governance, accountability and transparency;
• commonality of expectations by citizens of various countries with regard to minimum standards corporations should achieve in relation to social and environmental issues, regardless of the jurisdiction in which the corporation operates; and
• increasing awareness of the inadequacy of current regulations and legislation with regard to CSR matters and the regulation of Multinational entities.

Meaning of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is also called Corporate Conscience, Corporate Citizenship, Social Performance, or Sustainable Responsible Business or simply Responsible Business. CSR is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, shareholders and all other members of the public sphere who may also be considered as stakeholders.
The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, Strategic Management: A Stakeholder Approach in 1984.

Corporate Social Responsibility can be defined as the corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

The three pillars of CSR are,

- Environment,
- Society and
- Commerce

Alternatively these three pillars of CSR mean,

- Planet
- People and
- Profit

Together, these create long-term sustainable development.

A single globally accepted definition of CSR does not exist, as the concept is still evolving. The language used in relation to CSR is often used interchangeably with other related topics, such as corporate sustainability, corporate social investment, triple bottom line, socially responsible investment and corporate governance. However, various individuals and organisations have developed formal definitions of CSR, some of them being:

World Business Council for Sustainable Development defines Corporate Social Responsibility 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 of the local community and society at large.
European Commission; Employment & Social Affairs considers Corporate Social responsibility as essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. The European Commission also advocates CSR as “Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.”

Business for Social Responsibility considers Corporate Social Responsibility as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

Canadian Centre for Philanthropy defines Corporate Social Responsibility as a set of management practices that ensure the company minimises the negative impacts of its operations on society while maximising its positive impacts.

The Corporate Social Responsibility Newswire Service considers Corporate Social Responsibility as the integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company’s policies and actions.

Current State of CSR in India:

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by a increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by
social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals’ focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have a effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.
MAJOR CONCLUSION:-

Present study is based on both secondary and primary data. Information about the CSR rating of 500 firms was collected and analyzed. The result show that no firm could reach the level 5 and about 25.6% of the firms are at level 0 which means those firms don’t have any CSR activities. About 58.6% of the firms are between level 1 and level 2. Another 13.2% of the firms are at level 3 and only 2.6% of the firms could reach level 4. The results also show that in 2007 only 0.8% of firms were in level 4 and in 2009, the percent of firms at this level increased to 2.6%. That means firms have paid more attention to CSR and CSR activities in this period and have improved. The firms which were not having any CSR initiatives during 2007 have stanted taking up CSR initiatives during 2009 indicating improves belief in CSR initiatives. There is a considerable difference among the public, Private and multinational firms in terms of CSR activities. While 1.48 percent of the firms in private sector could reach in level 4, none of the public sector firms have reach this level. In the case of multinational sector also only 2.77 percent could reach level 4. The Indian multinational sector, appear to be more responsible than any of the other categories. Among the Indian multinational sector 10.44 percent are at level 4. The results show that older firms appear to be more socially responsible. The age of the firm has an influence on its CSR initiatives. The older the firm, the more are CSR activities. Size of the firm also influences CSR initiatives. Larger firms are more socially responsible. Ten percent of the larger firms are at level 4. None of the small firms are at level 4. State wise differences indicate that firms in the state of Karnataka, Maharashtra, Delhi and Tamil Nadu appear to be more socially responsible. Two firms in Karnataka and nine firms in Maharashtra have reached level 4 indicating highest level of CSR. One firm each in Tamil Nadu and Uttar Pradesh also are at level 4. The results show that CSR initiatives of firms are more towards shareholder than towards stakeholders like employees, customers, suppliers.
MAJOR FINDINGS

Based on the primary data collected through the survey are presented below:

1. The sample comprises both manufacturing and service providers. Manufacturing includes electronics, auto ancillary, engineering, cotton, pharmaceuticals, automobile component, cement, chemical, food item, heavy engineering, metal, sugar and others. Service providing firms are mainly software, telecommunication and IT Enable Services.

2. The results show that, 93.9% of the firms are manufacturing and only 6.1% of them are service providers. All firms have insurance policy for employees‘ family. There are three types of firms on the bases of size (Large-Medium-Small). The results show that 45.5% of firms are in large group, 30.3% of firms are in medium size and only 24.2% of firms belong to small size. It means majority of sample firms are in large sized category.

3. Based on the data collected, it is observed that all the firms believed in CSR activities. But only 54.5% of firms have separate policy for CSR initiatives. The other 45.5% of them have CSR initiatives, but there is no specific policy. Different firms initiate different activities depending on the objective of the firms, their vision and the CSR policy. The results show that majority of the firms (69.7%) have CSR activities addressing environmental issues.

4. Second important category is healthcare with 39.4% of the firms providing healthcare. Education initiatives are taken up by 21% of the firms and only 12.1% of firms are working on the safety initiatives. Social philanthropy is the area of intervention for 9.1% of firms.

5. Firms initiate CSR activities for varies reasons like belief in giving back some thing to the community, improve the firms image, self satisfaction etc. The survey results indicate that there are four categories of gains to the firms by CSR activities, as expressed by the managers. They range between improvement in productivity to self satisfaction, improve market image, and improve employer and employee relationship.
6. Majority of the sample firms felt that CSR improves productivity (75.8%), which is fundamental in maintaining and attracting employees and new customers.

7. CSR is observed in many firms interviewed. Nearly 70% of the firms have a separate budget for CSR activities. For nearly 30% of the firms, budget is flexible. Firms with a specific budget allocate funds for CSR activities from the profit.

8. The study has shown that majority of the firms have a specific budget. But, they are not interested in revealing the share of CSR expenditure in the profits. The data also brought out of an interesting observation that some of the medium and small firms are spending more than 1% of their profit on CSR.

9. Decisions about the amount to be spent and the type of initiatives influence the impact of CSR. In the present study it is observed that out of the 66 firms surveyed 39.4% firms have a separate unit for community development initiatives. Registering a charitable trust appears to be a practice followed by majority of the medium and large firms.

10. CSR initiatives are a dynamic process. The survey shows that 66% of the firms have increased the type of interventions over a period of five years. Another 45% have reported to gain professionalism in their intervention. Several models were developed to measure CSR and its contribution to the community and the organization.

11. One of the models proposed by Carroll is used in the present study. The CSR pyramid (Carroll’s model) is based on a four-part dimension, namely Economic, Legal, Ethical and Philanthropic. However in the present study another dimension, viz environment dimension is added to broaden the concept of CSR. It felt that including of environmental dimension makes the model more professional.

12. Economic responsibility is measured in terms of responsibility to all stakeholders in each firm and declaration divided to stakeholders. Fifty eight percent of the firms have expressed that shareholder are the major stakeholder. another 48% of the firms felt that employees are the major stakeholder, which shows the importance given to the employees by the firm.
13. The results show that, only 27.3% of firms have declared dividend to their stakeholder. However (72.7%) of firms have not answered to this question which indicates that the firms are not transparent about the divided.

14. Legal responsibility is one aspect of CSR. It is not only expected from business to pursue its economic responsibility, but also to do this within the framework of legal requirements. Legal responsibility is measured in terms of wage structure, avoiding child labour, encourage labour union, have over time policy, wage equality between men and women, priority to local people recruitment, providing insurance policy, have ISO and ISI.

15. The survey shows that, all of the firms don’t have any difference in wage structure between men and women and also 66.3% of the sample has specific, well defined wage structure. Majority of firms (48.5%) have reviewed the wage structure for operation employees in every three year. Twenty seven percent of them do review their operation employee wage structure every year.

16. Results show that only 54% of the firms are encouraging the formation of labour union in their firms. The evidence shows that, majority of sample firms believe in advice (69.75%) and warning (57.6%). Salary reduction is followed by 15.2% and stop promotion by 12.1% of firms.

17. The result shows that 87.9% of firms have overtime policy and only 12.1% of firms don’t have this policy. (60.6%) of the sample firms have ISI standard and 39.4% of respondent don’t have any ISI standard. The results show that, 93.9% of firms have ISO standard and only 6.1% of firms don’t have any ISO standard.

18. For a firm, it is not enough to be responsible in economic or legal aspect without being ethically responsible. Every firm is obliged to follow the law and in some way pursue economic responsibility. In the present study the Ethical responsibility is measure by understanding the encouragement for wage negotiations, ensuring occupation safety at workplace and healthcare policy for employees, facilities for culture activities, competitions, and providing special provision for women employees and ensuring warranties for the product given by the sample firms.
19. The survey shows that 72.2% respondents have encouraged wage negotiations and only 27.3% of firms didn’t encourage wage negotiations. The result shows that among the special provisions for the female employees, maternity leave formed the major portion the sample accounting for 93.9% of the sample. This was follow by flexible timing (21.2%), providing babysitting (6.1%) by the sample firms.

20. The result shows that all the firms in different sizes have contributed to cultural event and only 30.3% are involved in conducting competitions. The result shows that 97% of the firms have healthcare policy for employees based on the HR policy manual and only 3% of the firms don’t have that programme. The result shows that nearly fifty percent (45.5%) of the sample of firms are not providing warranty.

21. Philanthropic responsibility connects corporations with the communities in which they operate. Philanthropic responsibility is measured in terms of creating awareness about the policies of the firm, encouragement to the employees to give suggestions to the management, providing training programs within and outside the firm, giving pension, organizing corporate events, facilities at workplace, initiating social projects like village and school adaptation, health camps, support to the family members of the employees and the implementation of community based programmes.

22. The result show that majority of the firms in Mysore district (69.7%) are adopting the policy of meeting face to face and communicating with the employees as a method to inform about their policy. More than 80% of the firms are adapting the philanthropic policy/activities for the welfare of their employees. Majority of the firms (85%) are having PF and pension facilities. The result shows that, majority of the firms (84.8%) have training program both within and outside of firm, and only 12.1% of sample have training program within the firm only. Providing travel grant is the generally adopted policy and 91% of the sample firms are adopting this.
23. Tournaments are organized by 76% of the firms. The survey shows that 88% of the firms have rest rooms and 94% have separate bath rooms and toilet. However only 48% of the firms have recreation facilities. Baby sitting facility does almost not exist in small firms.

24. The results indicate that, firms gave more importance to organize health camps than other activities. School adaptation is another important social activity of several firms to improve the education of people living near the firm. The result shows that 18.2% of firms have adapted all the three activities to help people living under poverty line.

25. The result shows that all selected firms of different sizes have paid more attention to supporting employees Children in the form of giving gifts to encourage talent (72.7%). It is interesting to observe that some of the large firms are providing employment to the children of those employees who retire.

26. This policy is observed in the case of four large firms and two small firms. Among the sample firms 33% are teaming up with the NGOs in the implantation of the programmes. Only 12% are doing through community based organizations.

27. But 61% of the firms are implementing neither with NGOs nor with CBOs. They are having their special cell. The present study examined the environmental responsibility of the firms in terms of environment conservation and environment protection.

28. Result shows that all the selected firms in different sizes have paid more attention to water conservation and recycling activities rather than using renewable energy. Selected firms in different sizes have paid more attention to developing green belt activities and controlling air or water pollution. It can be observed that 56.52% of firms are involved in both activities and 35% are involved in developing green belt.

29. An attempt is made to understand the linkages among the different dimensions of corporate responsibility to understand if the firms which are economically responsible are also those which are responsible in other dimensions. From the results it can be observed that economic responsibility has a positive and significant (0.01 level) relationship with environment, legal, ethical and philanthropic responsibilities.
30. The correlation coefficient ranges from 0.48 to 0.65. The results show greater responsibility of firms in the case of legal and philanthropic activities. Highest mean value of legal responsibility (75.90) indicates that majority of the sample firms have undertaken steps/measures for ensuring legal responsibility. Lower coefficient variation (19.96%) compared to other dimensions of CSR also indicated the importance given to legal aspect by the firms. Philanthropic responsibility is the other dimension which ranks second among different dimensions.

31. The means value of (71.71), shows that, it is given priority by majority of the firms. However, variation among the firms in terms of philanthropic responsibility is higher at 25.43% compared to legal responsibility. Ethical responsibility is another important aspect of CSR. Mean value of ethical responsibility (69.70) is less compared to legal and philanthropic responsibility. Variation among the firms in terms of ethical responsibility is high and it is indicated by highest coefficient variation (21.55%).

32. Economic and environmental responsibilities of the sample firms are ranking low compare to other aspects. Highest CV (54.21%) shows greater variability indicating only few firms are showing economic responsibility. The other aspect of CSR, Environment responsibility also shows greater variability with 32.74% of CV.

33. The results from the survey have clearly brought out the differences among the firms in being economically and environmentally responsible. An attempt is made to measure the significant differences among the given aspects of CSR by testing the hypothesis. The result shows that there is a significant difference in the mean values of different aspects of CSR expressed by different firms. The differences are highly significant.

34. An attempt is made to test dependence between economic and ethical dimension of CSR by testing hypothesis. The result shows that economic dimension and ethical dimension have influence on each other and there is a positive relationship between these two variables.
35. A comparison of CSR among large and medium firms shows that there is a greater consistency among the medium firms than among the large firms. Analysis of Variance (ANOVA) procedure was used to estimate the difference among the firms of different sizes.

36. It observed that large and medium sized firms compare with small sized firms gave more importance to economic responsibility. In the case of environment responsibility large and medium sized firms compare with small sized firms gave more importance to environmental activities. The result shows that legal activities of large and medium firms are more than small firms. In the case of ethical activities also large and medium firms performance is better than small firms.

37. In the case of ethical activities firms are not showing uniform tendency. In other words, medium and large sizes of firm have more important ethical activities. In the case philanthropic activities also large and medium firms’ performance is better than small firms; however philanthropic responsibility received more attention compare to economic responsibility.

38. Based on the ownership of firms, CSR activities of different types of firms (public, private and partnership) are analysed. In the case of economic responsibility of public firms are significantly different from the private and partnership firms that mean public firms compare to private and partnership gave more importance to economic responsibility. For environment activities of public firms is same as private and partnership firms.

39. The evidence shows that legal activities of public firms are same as private and partnership firms. For ethical responsibility private and public firms are significantly different from the partnership firms. Public firms remain as one of the best placed institutions to make a significant positive contribution towards improving social, economic, philanthropic and environmental conditions in India.

40. Carroll’s CSR pyramid is used as a framework, to explore the nature of corporate social responsibility (CSR) in Indian context. Carroll’s basic four-part model is accepted and added one more part which is called Environment activities.
Legal responsibility is the most essential piece of CSR. Philanthropic responsibility is one of the important aspects and it stands in second place among the sample firms. Economic responsibility finished last in the pyramid. Below that we can find environment responsibility. Findings show that when compared to Carroll’s model, economic responsibilities had decreased, while legal and philanthropic responsibilities have appeared to be increased and ethical responsibilities, has not been changed. One of the important factors is less reporting or no reporting of financial matters by firms.

SUGGESTIONS

1. The results of the present study clearly brought out the fact that there is no database about the CSR initiatives of several firms, both in public and private sector. The first and foremost important requirement is developing database at state level and at district level. The second lacuna observed is, lack of uniform reporting system.

2. Even the firms which are reporting are also not following a uniform procedure. While some are following international guidelines issued by GRI, others are following a system of their own. Therefore it is important to develop uniform guideline for reporting of CSR initiatives, including budget allocations, the nature of initiatives and the outcomes.

3. The guidelines should be of international standard which helps in global comparisons. All the stakeholders are to be involved in the preparation of these guidelines. Detailed information about the budget allocations, strategy adopted and areas of intervention are extremely important in order to develop pro-poor polices.

4. With the greater involvement of NGOs in development process, it is possible to develop synergy among the CSR initiatives of the firms, NGOs and government. Such synergy reduces the cost of supporting development programmes.

5. When India is shifting towards market economy, the role of public sector declines. Government withdraws from the sectors where it was dominant. Majority of the services
provided by the government come under the private sector. Under this new paradigm, private sector should contribute not only to production, but also for the betterment of the community by providing necessary supporting services.

6. Even under the market economy, government plays a role as a policy maker. Therefore, government should initiate appropriate policy for the CSR initiatives. The policy not only makes every firm responsible, but also brings a uniformity in interventions.

7. There should be appropriate incentives for the firms to implement CSR initiatives. These incentives could be in the form of tax concessions, award for the best initiatives, etc.

8. Corporate sector should be able to identify the linkage between the macroeconomic policy and micro level changes in order to initiate appropriate CSR initiatives.

9. In order to achieve this, training facilities are to be provided to the corporate sector. The training modules should include methods of needs assessment, understanding the social and economic scenario, promoting community participation, policy analysis, impact assessment, etc. This will be able to combine the professionalism of the corporate world with the social concern in designing appropriate interventions.

10. Separate guidelines are to be provided for different size group of firms, viz, small, medium and large firms. Special provision is to be made for the small firms.

11. Sensitization programs concentrating on the need for social responsibility and the advantages of being a responsible corporate should be organized to popularize the concept of CSR.

12. Similarly awareness programs are to be designed for consumers to create awareness about the socially responsible firms and their activities so that there will be more demand for the products produce by these firms. This provides the necessary market incentives for the produces to be socially responsible. New research should be in the direction of developing appropriate methodology for measuring CSR and evaluating the impact of CSR.
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