

An Analysis of Corporate Social Responsibility of Indian Companies

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Introduction

Business organizations have long considered profit as the main goal to be achieved and all the strategic actions were directed towards the same. However their social responsibility is an important issue.

With the globalization of the world economy and rapid flow of information, the concept of Corporation Social Responsibility (CSR) has been gaining importance.

Valor (2005) identifies CSR as an umbrella concept. It includes a variety of theories and practices which recognize the social and environmental responsibility of corporations.

The meaning of CSR not only differs from sector to sector, it also differs quite substantially from country to country (Andrew et al, 2008). It is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment (European Commission, 2001) High performing business shows a strong correlation between CSR activities and stronger performance in terms of profitability and productivity.

The World Business Council for Sustainable Development (WBCSD) defines CSR as "the commitment of business to contribute to sustainable economic development, working employees, their families, the local community and society at large to improve their quality of life". This description of CSR reflects the general idea of the concept to redefine the relationship between business and society and to emphasize the social and environmental responsibility by corporation acting in the world economy.

Models of Corporate Social Responsibility

Several models are proposed to understand the relationship between the corporate world and society.

Carrol (1991) proposed an Intersection Circles Model in which four parameters are identified to measure Corporate Social Responsibility.

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- 1) Economic Responsibility: It entails profitability for shareholders and stakeholders.
- 2) Legal Responsibility: It entails compliance with laws and playing by the rules of game. For example promotion of employee health and safety.
- 3) Ethical Responsibility: It entails doing what is right just and fair and avoiding harm. For example pollution controls.
- 4) Philanthropic Responsibility: It entails giving time and money to social activities. For example sponsorship of public project.

Second model of CSR is Triple (P) Bottom Line. The traditional triple bottom line refers to financial success only, measurable by changes in market share, growth and profit.

This model includes three areas such as profit (loss evaluation), people, and planet. Profit is an important component of this model, but the emphasis is on the importance of environment and society. The traditional bottom line measures corporate success by accounting for the whole benefit it derives from its business activity, while negative side-effects are only partly borne by the corporation, and the rest is imposed on society at large. The problem of this model is that it is limited to the environment and pollution in general perception.

Third model of CSR is Stakeholder Theory propounded by Freeman. It shows the relationship between society and business and firm's dependency on the society surrounding it.

This model includes not only the shareholders, but also other stakeholders who are concerned by corporate activity. The groups concerned can be both internal and external, thereby including employees, executives, suppliers, consumers, but also the environment and society at large.

CSR in Indian Context

India is a vast and heterogeneous country, with a multitude of different cultures, languages, religions and traditions, spread out over several states. With the introduction of economic reforms during 1992, the economy is moving towards privatization and globalization. The contribution of private corporate sector to national income is increasing. Along with this the concept of CSR is also becoming popular.

CSR as a driver for the development of relationship between business and society has accelerated swiftly in India during the last 5 to 10 years (Whitehouse, 2006, Baxi, 2005).

In an empirical study by Khan and Atkinson (1987) it was found that a large percentage of Indian executives agreed that CSR was relevant to business and felt that business had responsibility not only to the shareholders and employees but also to customers, suppliers, society and the state.

The study by Kirti (2008) revealed the relationship between CSR and business and it was observed that CSR eventually promotes a better relationship between industry and people, a good work environment, enhanced customer relationship and enhances the corporate image of the company.

Measuring CSR in Indian Context

One of the important studies which have measured the status of CSR in India is the study conducted by Karmayog (2008).

Based on the CSR activities the necessary and, sufficient conditions were fixed for a company to reach different levels.

Necessary conditions

A company will be eligible for level 1, if that company undertakes any CSR activities to develop society and communities.

If the CSR activities of the company are linked to improve processes and products of the company, then, the company is placed at level 2.

A company reaches level 3, if its CSR activities are focused on those who are affected directly by the company. If the company makes CSR activities as part of their daily business activities, they will be eligible for level 4. Finally; level 5 is a stage where the CSR of the company activities enable sustainable and replicable solutions to the problems faced by the society.

Sufficient conditions

While the above are the necessary condition for a company to be placed at different levels in terms of CSR ratings, several sufficient conditions were also predicated.

According to the sufficient conditions, a company gets a level 1 or 2 if it does CSR activities automatically. For example, if a company undertakes the activities which are not being done by government, NGO, etc, they will be in level 1. Similarly if the company is committed to measuring and reporting its CSR initiatives voluntarily as per the globally accepted framework, they get level 2 automatically. Level 3 condition is that, if company's annual expenditure on CSR equal or more than 0.2% of sales.

Status of CSR Rating in India

Based on the above conditions, Karmayog classified 1000 largest Indian companies at different levels. The following table explains the state of CSR in Indian context.

Table 1: Karmayog CSR rating of companies (2008)

Level	Number of companies	Percentage of companies
Level 5	0	0%
Level 4	10	1%
Level 3	45	5%
Level 2	221	22%
Level 1	232	23%
Level 0 (lowest)	492	49%
<i>total</i>	<i>1000</i>	<i>100%</i>

Source: www.Karmayog.org/csr 2008

The results shows that no company could reach the level 5 and about 50% of the companies are at level 0. About 45% of the companies are between level 1 and level 2. Another 5% of the companies are at level 3. only 1% of the companies could reach level 4. As per the conditions the companies at level 1 and 2 are those who are taking up CSR activities which have some social relevance and those which improve the process and products of the company. This shows that in the Indian context, CSR activities are concentrated on these two issues only. Only 5% (level 4) of the companies are addressing those who are directly affected by the activities of the company.

The study also shows that, none of the companies are addressing and concentrating in sustainable and replicable solutions to the problem faced by the society.

The relationship between the size of the company and CSR initiatives

It is generally expected that larger companies will show greater corporate social responsibility due to their affordability and to improve their presence in the market. The relationship based on the data collected by Karmayog is presented in table 2.

Table2: Level of CSR initiatives according to the size of the company

Sales (Rs. in Crores)	No. of Companies	Level 5	Level 4	Level 3	Level 2	Level 1	Level 0
Total	1000	0	10	45	221	232	492
<1000	671	0	0	11 (1.64%)	97 (14.45%)	166 (24.74%)	397 (54.16%)
1000 - 10000	290	0	7 (2.41%)	21 (7.24%)	112 (38.62%)	61 (21.03%)	89 (30.69%)
>10000	39	0	3 (7.69%)	13 (33.33%)	12 (30.77%)	5 (12.82%)	6 (15.38%)

Source : www.Karmayog.org/csr2008

The data also supported the argument that larger companies are more socially responsible. Out of the total 39 companies with a sales turnover of more than Rs 10000 Crores, only 15% are not having any CSR initiatives. Eight percent of the companies are at level 4. But in the case of middle group (with sales of between Rs1000 Crores to 10000 Crores) only 2.14% are at level 4. None of the small companies with sales of less than to Rs 1000 Crores are at level 4. More middle level companies (38.62%) are at level 2, majority of the large companies are at level 3 and level 2.

The companies which have reached level 4 in the CSR rating are both software related and also others.

Common areas in which CSR initiative are undertaken include education, arts & culture, healthcare and rural development. The entertainment & media, retail, mining, trading and contraction industries, have low level of CSR activities, and the software, banking and paper industries are among those sector with high level of CSR.

Expenditure on CSR initiatives

Apart from IT and ITES companies, several other companies are also spending on CSR initiatives. Table 3 gives an account of CSR by different companies. The other companies include cement, housing, paints, etc. But what is observed is, that majority are spending less than recommended 0.2 % of the sales.

Table 3: Distribution of companies with CSR rating level 4 (2007-08)

company	Industry category	Sales Rs in crores	Recommended CSR Expdt.* Rs in crores	Actual amount spent Rs in crores
ACC ltd	Cement	9640	19.3	12.2
Ballarpur Industries ltd	Paper	1030	2.1	3.7
Housing Development Finance Corporation ltd	Financial Services	8000	16.0	5.4
Infosys Technologies ltd	Software & ITES	15000	30.0	20.0
Jubilant Organosys ltd	Pharmaceutical	2000	4.0	5.0
Kansai Nerolac Paints ltd	Chemicals	1300	2.6	0.5
Moser Baer ltd	Computers	1900	3.8	0
Tata Steel ltd	Iron and Steel	20000	40.0	0
Tata Consultancy services ltd	Software & ITES	18500	37.0	0
Titan Industries ltd	Miscellaneous	3000	6.0	0

Recommended CSR expenditure of 0.2% of sales

Source: www.Karmayog.org/csr 2008

CSR rating of software companies and IT enabled services

Software and IT industries have grown considerably after the liberalization in India. These companies have contributed to the growth of employment and generation of income. But the opportunities created by these companies are limited to a section of population who has access to better education. The entry of these companies resulted in greater income equalities. However these companies are giving back to the society concentrating on improving human resources of Indian youth.

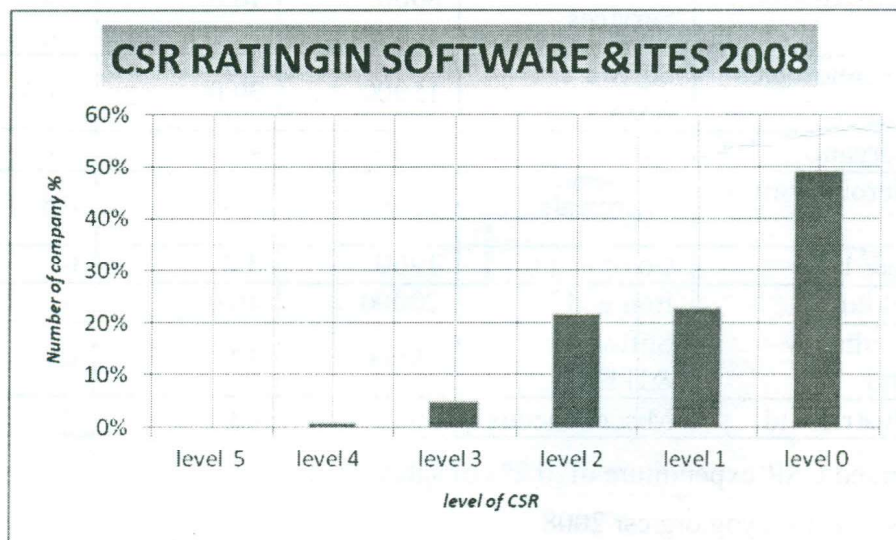
The study of Karmayog on the CSR initiative of IT and ITES shows that even in these companies, out of 40 companies surveyed none of them have reached level 5 and only 5% reached level 4 and another 5% reached level 3.

Majority are in zero level (42%) indicating no CSR initiatives, while 33% reached level 2, 15% are at level 1.

Table 4 : Karmayog CSR rating of companies in the Software & ITES (2008)

Level	Number of companies	percentage
Level 5	0	0%
Level 4	2	5%
Level 3	2	5%
Level 2	13	33%
Level 1	6	15%
Level 0	17	42%
Total	40	100%

Source: www.Karmayog.org/csr 2008



CSR Initiatives of Infosys Technologies Ltd Company

The software industry is one of the fastest growing industries and highest earner of foreign exchange in the Indian economy. Infosys Technologies Ltd has been established in 1981 to provide consulting and IT services in the world.

The Infosys foundation came in to existence on December 4, 1996 in Karnataka. Infosys foundation is a small branch of Infosys Company, promoting healthcare, education, social rehabilitation and arts. Infosys foundation does some other activities also, such as relief operations during natural disaster etc. During tsunami in the end of 2004 in south Asia, foundation helped victims in Tamil Nadu and other places by distributing food, Clothes and utensils. Its main objective was to fulfill the social responsibility of the company by supporting and encouraging the underprivileged section of the society.

Today, the activities have been extended to Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab.

The grant made by Infosys to the foundation during the last eight years is given below.

Table 5: Grants from Infosys Technologies & Infosys Foundation

Year	Grants in Rs Crore
2008	20.00
2007	19.00
2006	13.25
2005	15.00
2004	12.00
2003	5.53
2002	3.75

Source: Various Annual Reports of Infosys (2002-08)

Infosys Technologies has been releasing funds to Infosys Foundation for the social initiatives in the area of health and education. The table gives trends in allocations. The allocations have grown from Rs 3.75 crores in 2002 to Rs 20.00 crores by 2008.

The key areas of Infosys foundation CSR initiatives are Education, Healthcare, Art and Culture, Social Rehabilitation and Rural Upliftment.

Table 6 shows contribution by Infosys foundation for different (2007-08) activities. From the data it can be observed that nearly 50% of the expenditure is spent an education.

Table 6: Distribution of CSR expenditure of Infosys foundation

Category	Activities	Percentage %
Art and Culture	Donation, sponsorships	0.87
Education	Scholarships, Construction of school book, Book banks	48.36
Health care	Construction of hospital, medical assistance, equipment	38.60
Rural upliftment	Rehabilitation, infrastructure development	12.17

Education

Education is a critical factor for development of individuals and society and helps to improve the people's life. Some of initiatives and programs that were implemented by foundation are as bellow:

Construction and donation of school building for poor and orphaned students in Orissa, Tamil Nadu, Pondicherry, Kerela and Karnataka and Creating a book bank for engineering, media, mathematics, science, history, and other students, which can be accessed by needy students in rural area in Karnataka. The foundation also established more than 15000 libraries in schools across India since 2006 and donated books to school and woman centers in Karnataka.

The foundation sponsored several teacher training programs that helped the teachers to develop and innovate teaching methods. Infosys sponsored a high-tech computer lab at Gulbarga University and donated video projectors to produce live program at Nehru Planetarium in Bangalore.

Healthcare

Healthcare is the other important area of initiatives. Access to healthcare and medicines is a massive challenge in developing countries like India. The foundation supported some healthcare initiatives and programmes.

The Foundation constructed central pathology lab at Victoria hospital, Bangalore and completed the construction of Sankara eye hospital to provide aid to people from economically challenged. Infosys super-specialty hospital was constructed on Sassoon hospital premises in Pune.

The Foundation also provided equipment, medicines, and financial help to government hospitals, and some medical centers in Tamil Nadu, Jammu & Kashmir, Maharashtra, Bihar, Kerala and Karnataka where economically needy patients were offered free medicines, and also supplied free medicines to diabetic children in Bangalore.

Arts and Culture

The foundation is helping in the preservation of traditional art and culture through its CSR activities. The strategy is identification of traditional and folk arts and sponsor festivals, providing marketing facilities for the products produced by the traditional craftsman.

The foundation sponsored a folk fest in Bangalore to provide direct market opportunities for rural artist communities and promote culture. Approximately 100 craftsmen from 20 states participated in the fest.

Musical program such as kala Darshan, puppet show such as Kogga Kamaths Yakshagana drama troupe such as Surabhi in Andhra Pradesh were sponsored by the foundation in recent years.

The Foundation collaborates with NGO'S who are helping in the revival of rural artistes. As part of this, the Foundation partnered with Adima in Kolar district in Karnataka in traveling local artists and argument cultural activities.

Social Rehabilitation and Rural Upliftment

The foundation collaborates with institutions and developmental organization to address social inequity and rural upliftment.

Foundation is working with Kalika India, a trust in rural Bangalore that works with under privileged woman and children, providing education and aiding economic development. The foundation helped in the rehabilitation of this group.

As part of the social rehabilitation efforts, the foundation sponsored the rehabilitation of tribal communities from Orissa by training them in occupation such as agriculture, horticulture, sericulture, floriculture, apiculture, fishery sciences, maintaining machinery, welding and carpentry. Rehabilitation program for those affected by the Orissa flood in September 2008 was also sponsored by the foundation.

Conclusion

In a developing country such as India there are some areas and issues that require sustained support of a greater depth, beyond what government and society is able to provide, and companies must come forward to take up these issues.

Infosys Technologies is one of the few companies with a very strong social commitment .Through Infosys Foundation, the company is involved in several activities which promote the well being of under privileged in the society. The company's social responsibility can be observed at two different levels. One at the company level and the other one at the community level. Through several employee welfare polices and environmentally friendly research initiative the company is contributing to CSR. At the community level the company has initiated several programs through Infosys Foundation. The social initiative of the company is complementing the government initiatives. During 07-08, the company has spent around Rs 20 crores in various social development activities.

The foundation has adopted a policy of distributing funds based on Infosys Technologies employee strength in different states of India. Accordingly, Karnataka received more money than any other state

in India. The foundation is committed to giving 48.36% of its funds for education, 0.87% for art and culture, 38.60% for health care and 12.17% for rural upliftment.

The case of Infosys Technologies is the best example to show how a corporate can make significant difference in the living of common people by being socially responsible. The company's sustained efforts; even under the global economic crises is a testimony to show case how being socially responsible helps the company also in its sustained progress.

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