

## The New Spectrum of Corporate Social Responsibility in Emerging Economies

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### ABSTRACT

The aim of this paper is to investigate CSR reporting in developing countries like Asia through analysis of top 20 companies in India. Specially, the papers investigate how CSR persuade the image of the country of origin and the corporate reputation of the firms that reside there in respect of Indian firms. This research aims to address to maintain the social & financial responsibility of the Indian firms through focusing on the spectrum of CSR framework on developing nations, particularly the emerging market of India. Secondary data and amass the information through Journals, Magazines and websites were used.

**Keywords:** Corporate responsibility, emerging markets, India, Social responsibility, CSR framework.

### I. INTRODUCTION

One of the most discussed topics nowadays is the concept of Corporate Social Responsibility (CSR). It is also called as corporate conscience, citizenship, social performance, or sustainable responsible business. CSR can be found not only in the business sector, but also in fields like government, public sector, private sector, MNCs, NGOs, as well as in intergovernmental organizations such as the United Nations, the World Bank or the International Labor Organization. Every company is a part of society and necessarily is affected by society's expectations. Business is an economic activity to earn profit for the owner and social responsibility means serving community without any expectation. Business depends for its survival and long term prosperity on society to provide the resources— people, raw materials, services, and infrastructure. In return for these special privileges, business has a responsibility to fulfill society probability at large. CSR is a strategic planning tool which is implement by managers of those companies which want to be winning and sustain their position in front of their customers, because the winner is the one who can offer cheaper goods; best quality service; innovative products; attractive offers, maintain brand loyalty, which is not offered anywhere else; Corporate social responsibility is

predominantly considered as a western phenomenon due to strong institutions, standards, and appeal systems which are weak in developing countries of Asia (Chapple and Moon, 2005).

To best address my research paper, the paper is divided into four sections. The first section defines the brief review of the literature on CSR in India. The second section identifies corporate social responsibility (CSR) in India. The third section influence Firm performance (FP) of Indian Companies and where they stand. The fourth Section reports our preliminary findings followed by a discussion of these. The last section provides concluding thoughts.

### II. LITERATURE REVIEW

The role of business in society has undergone a dramatic change in India. Only a few studies have explored some of the multiple aspects of this concept in India, both theoretically and empirically (Arora and Puranik, 2004; Balasubramanian et al., 2005; Baskin, 2006; Narwal and Sharma, 2008). India is a demographic welfare state. It wants to achieve welfare through democratic means. Business organizations which fit in with such a specification would have a better scope to survive and grow here in order to make themselves suitable for such a business environment, they should foster a corporate objective of maximizing social benefit. The main idea of CSR is that companies should accept that they play in society more than just an economic role. But the role of CSR in industry and commerce sector in developing countries, are limited, because of less skilled workers, less specialist experts; less political decision for social welfare, low economic development levels (e.g., Baughn et al. 2007), low GDP, unsteadiness between richer and poorer peoples, Low income, less purchasing power, additional corruption, different Cultural aspects, and financial instability. But in recent years the emerging markets have received increased attention (Baskin 2006; Baughn et al. 2007; Cappellin and Giuliani 2004; Chapple and Moon 2005; Ewing and Windisch 2007; Kimber and

Lipton 2005; de Oliveira 2006; Qu 2007; Roper and Weymes 2007; Welford 2004) At the time of recession when economies go down, companies hack their product cost, delayed in payment, small firms takeover by the large firms, consumers buy back their money in the market and hold it, Consumer switch substitute products; On that time CSR is a significant tool to overcome these problems. Studies have found that firms from emerging markets lag behind their counterparts in mature economies with regard to CSR implementation and activities (Welford 2004). According to a survey conducted by the Factum Invenio in 2009 for Czech Donors Forum, two thirds of Czech citizens believed that the economic crisis affects, among other areas, the socially responsible behavior of corporations Petrová & Rejšková, (2009), There are some factors in business environment (i.e., the political, economic, social, and technological environments) may promote the development of CSR, All of these factors play a vital role for the achievement of society and business also but beside this the most important factor came under corporate social responsibility is political factor; because the role of government is very imperative for every society, it govern the policy and regulate it time to time and prepared new laws which is mandatory for all corporate and beneficial for whole economy related to national income, standard of living, reduced poverty, welfare for society.

The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility (CSR). CSR is a “concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission). Barnett (2007, p. 801) defines corporate social responsibility as “a discretionary allocation of corporate resources toward improving social welfare that serves as a means of enhancing relationships with key stakeholders.” Carroll (1979, 1991) suggested the social responsibility of business comprises economic, legal, ethical, and discretionary or philanthropic components. More recently, McWilliams and Siegel (2001) state that CSR is defined as corporate actions that further social good beyond the interests of the firm and that are required by law. The concept of corporate social responsibility is based on the premise that a business firm is more than an economic institution. But there are actually two different types of corporate social responsibility to consider. The first one consists of corporations providing funding and resources for worthwhile social causes, such as donating money or employee time to charities. like; The employees of GAIL (India) Limited have voluntarily contributed one day’s salary for relief and rehabilitation work in disaster-hit Uttarakhand and the second type of CSR involves producing products or providing services that are in the best interests of society. These include things like using safe materials in design and manufacture, corporate

environmental initiatives, and other factors such as job creation, help weaker section of society, economy development.

The concept of Corporate Social Responsibility was first mentioned 1953 in the publication ‘Social Responsibilities of the Businessman’ by William J. Bowen. However, the term CSR became only popular in the 1990s, when the German Betapharm, a generic pharmaceutical company decided to implement CSR. The generic market is characterized by an inter-changeability of products. In 1997 a halt in sales growth led the company to the realization that in the generic drugs market companies could not differentiate on price or quality. CSR is a crucial bridge between organizations and society and gap between the privileged and the disadvantaged of society. Consequently, Indian companies have started changing their outlook towards CSR by looking beyond passive philanthropy. They have explored that their impact on the economic, social and environmental sector directly affects their relationships with investors, employees and customers. It was mainly promoted by a large or multinational companies, as well as small national companies also; Teflon Companies Shell was one of first companies which made the experience, that early responsible acting is better than later crisis management. Globalization has also created new sets of concerns about CSR and has required domestic adjustment on the part of all actors in Asia (Tadashi Yamamoto).

According to a forecast by the United Nations (UNESCAP, 2008), emerging economies in Asia are expected to grow at a rate of 7.7 percent in 2008, compared with the global growth rate of 3.3 percent forecast by the World Bank (2008). Developing countries in this region have been demonstrating huge economic growth since the 1980s. From the early 1980s to 1999, contracted FDI inflow to China has grown from roughly US\$1.5 billion a year to over US\$40 billion a year (Fung, 2002). During much of the turn of the century, India’s GDP has risen almost 10 percent per year – an increase much bigger than that of the US and one closest to China. It is also reported that its foreign and institutional direct investment have also witnessed tremendous growth, rising from \$4.9 billion in 1995-1996 to \$63.7 billion in 2007-2008 (Reserve Bank of India, 2009).

### III. CSR IN INDIA

For India, CSR is not a new concept the origins of CSR in India could be traced back to the days of Kings. According to Kautilya’s Arthashastra, “in the welfare of the people lies the king’s welfare and in their happiness his happiness” (cited in Jose et al., 2003). Kautilya elaborates on the fourfold duty of a king as: Raksha (Protection = risk management aspect) Vridhi (Growth = Stakeholder value enhancement) Palana (Compliance = Compliance to law in letter and spirit) Yogakshema ( Well being = Corporate

Social Responsibility)all these four aspects maintain the relationship between business, government and society. Companies like Tata Steel (the oldest and best known Indian steel company, whose founder was more a nation-builder than a businessman seeking profits) were very involved in trying to tackle many social problems even before the term CSR formally entered the vocabulary of management texts (Singh, 2008).Numbers of other companies in India are enthusiastically engaged in CSR activities. Chapple and Moon (2005) suggest that a high level of inward foreign direct investments (FDI) into a country increases the likelihood that CSR practices will be adopted by domestic companies. With the popularity of CSR, more and more companies now perform in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. CSR should be linked to corporate strategy to make the company's unique capabilities and competitive milieu.

A lack of provable link between CSR and firm performance often discourages companies from engaging in CSR (British Council et al., 2002).In India too the businessman has been under attack both by the government and the public. Many reports of the Indian Governments, such as P.C.Mahalobnis Committee report on the distribution of Income and Levels of Living (1964); K.C.Dasgupta Report on monopolies (1965), Prof Hazari's Report on the Industrial Licensing system (1966), are very critical of the unethical role of the Indian businessman today. But in current scenario most of the Indian companies mostly focus on CSR activities for the community development and maintain their brand image in the market. So they now fulfill the expectation of their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Most foremost corporate in India are involved in corporate social responsibility (CSR) programmes like education, training programmes, fitness programmes, skill development, employee volunteer programme, conducted seminar and workshop on various ethical topics and empowerment of weaker sections of the society. e.g.; Tata Group, Reliance, Infosys, Bharti Enterprises, Pantaloon Retail, Jet Airways, Redington, EID-PARRY, ITC Welcome group, Indian Oil Corporation among others.

- Microsoft, launched a new program in 1998-99, called Computers@Classrooms.
- Infosys is an interesting example of this new-age CSR. The company is utilizing its core competence in the area of technology to bring larger good to the community. It has donated 1185 computers to 435 institutions across India. It is working closely with the government to conceptualize innovative ideas that has resulted in the Government of India bringing out three different plans aimed at eradicating poverty through information and technology.

- ITC group plan socio-forestry which is an excellent paradigm where CSR and business have created harmonious associations.
- Aditya Birla group today is involved deeply in issues related to vocational training, education (has 35 odd schools), leprosy eradication, widow remarriage and orphanages.
- IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribal's in the Sasan area of Gir forest.
- APTECH a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country .It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.
- Mahindra & Mahindra, Nanhi Kali, a programme run by the KC Mahindra Education Trust, supports education of over 75,000 underprivileged girls. The trust has awarded grants and scholarships to 83,245 students so far. The Trust undertakes a number of education plans, which make a difference to the lives of worthy students.

However, there is a growing feeling among the Indians that business organizations must play a wider role in the society towards primary stakeholders (principle stakeholders) are the shareholders, management, and board of directors, and secondary stakeholders (other stakeholders) include employees, customers, creditors (e.g; banks, bond holders), suppliers, regulators, and the community to provide the fair wages and salaries, fair trade practices, retirement benefit and pension schemes, high labor standards, fair and bearable product pricing, help the weaker section of society, reducing human rights abuses at the work place.etc..but as we know every coin has two aspects positive and negative, same as India also there have some suitcases in which the application of CSR is rare, on the contrary, the fight against poverty, the development of education, as well as the conservation of the environment are not existent in most of the Indian enterprises.

#### **IV. CSR REPORT CARD: FIRM PERFORMANCE (FP) OF INDIAN COMPANIES AND WHERE THEY STAND**

The changing image of business in recent years has given support to the idea of social responsibility. Some public opinion polls of the 1960s and 1970s in the USA have left businessman disenchanted. These polls have revealed that the businessman is viewed as an individual who does not care for others, Who ignores social problems, who exploits labor, and who is a selfish money grabber, due to this they lose their identity, goodwill and brand loyalty towards their consumers in the market and suffer from loss, like The news of pesticide content in Pepsi and Coca-Cola beverages in India reduced the sales

of both companies by 60% (Financial Express, 2006). But now a day's investors expect that only successful companies have enough cash and resources to sustain CSR expenditures. Companies that exceed the expected level of CSR spending are perceived by investors as signaling better future performance.

That's why now a day's Indian government becomes very serious regarding to CSR activities. The lower house of the Indian parliament has passed a new Companies Bill that requires companies above Rs. 500 crore, or an annual turnover of over Rs. 1,000 crore, spend at least 2 percent of annual profits on corporate social responsibility (CSR) activities. In the draft Companies Bill, 2009, the CSR clause was voluntary, though it was mandatory for companies to disclose their CSR spending to shareholders. According to Forbes; India spending on CSR of India's top companies ranked 1-20 based on Net Sales for the Financial Year 2012 is given below:

**Table 1: CSR Spending of India's top companies ranked 1-20**

S.No.	Company	Revenue, Rs in crores	Avg Profit after tax Rs in crores	Actual Spend on CSR Rs in crores	2% Of Pat
1	Indian Oil Corporation	442,459	7,783	83	156
2	Reliance Industries	368,571	21,138	288	423
3	Bharat Petroleum Corporation	223,315	1,438	8	29
4	Hindustan Petroleum Corporation	195,891	1,118	27	22
5	Tata Motors	170,678	8,437	15	169
6	Oil & Natural Gas Corporation	151,121	23,660	121	473
7	State Bank Of India	147,197	13,056	71	261
8	Tata Steel	135,976	3,895	146	78
9	PNB Gilts	104,628	29	Na	1
10	Hindalco Industries	82,549	3,597	28	72
11	Coal India	78,410	11,759	119	235
12	Bharti Airtel	71,506	6,511	33	130
13	MMTC	67,023	129	3	3
14	NTPC	66,366	9,334	49	187
15	Larsen & Toubro	64,960	4,818	70	96
16	Essar Oil	63,428	-201	Na	N/A
17	Mahindra & Mahindra	63,030	2,948	22	59
18	Mangalore Refinery & Petrochemicals	57,214	1,066	Na	21
19	Tata Consultancy Services	48,894	8,935	51	179
20	Bharat Heavy Electricals	50,654	5,823	37	116

(Source: <http://164.100.47.134/intranet/CorporateSocialResponsibility.pdf>)

According to the Companies Bill, the activities included in CSR are -Eradication of hunger and poverty, promotion of education and gender equality, empowerment of women, reduction in child mortality and improvement in maternal health, combat of HIV and other diseases, environmental sustainability, vocational training, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central or state governments, welfare of SC/STs and OBCs. The list is likely to grow as the exact provisions of the Bill are still being debated.

Spectrum of CSR is given in the table below:

**Table 2: Spectrum of CSR**

BAD CSR	GOOD CSR
No employment	Fair trade practices
No willing to listen to other stakeholders	Removal of conflicts between the
Dilution of profit maximization	Management, employees and workforce
Business lacks social skills	Maintain brand loyalty and differentiate
Starting unfair trade practices	yourself from your competitors
Loose consumer faith	amplify goodwill and improve reputation
Goodwill down	Maintain relationship with all stakeholders
No concern for indirect effects (land, air, water)	Increase customer retention
Appropriate of land not being compensated	Low dependence on Non renewable resources
Non compliance of rule of land	Increased monitoring system
	Land compensation

## V. RECOMMENDATION AND SUGGESTIONS

1. With the help of CSR programmes companies can enhance their brand image.
2. Through CSR it is possible to create more employment opportunities for semi-skilled people and it will contribute to the economic development of the society it will raise the level of national income.
3. There is need to enhance the initiatives through CSR by Indian companies especially in the culture and Environmental Protection.
4. Through CSR it is possible to presents an opportunity to reveal SR Programmes, Corporate Values, Policies and Customs as well as deliver governance.

## VI. CONCLUSIONS

The concept of corporate social responsibility has gained prominence from all street and it is a key success factor and advantageous tool for companies in competitive market. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Thus far, CSR studies have focused on developing-country firms in Asia specially Indian Firms, and little effort has been made to systematically study about CSR spectrum framework in developing Nations. In particular, we investigate businesses have been affected by the crisis in all three CSR areas (Social, Political and economic) and stakeholder issues discussed in Indian Firms. Now a day's Companies have become aware about the importance of society for longer business. Therefore they are more prone towards the association with these societies as it has been proved

that the contributions towards society's welfare are being profitable for long term achievements for Corporate.

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