



“CHANGING FACE OF INDIA INCORPORATE: SOCIALLY RESPONSIBLE ORGANIZATIONS”

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ABSTRACT

The aim of this paper is to investigate CSR reporting in India through analysis of online portals and newsletters of the top 56 Indian companies listed in the Fortune 500 ranking for year 2011.

Specifically, the paper investigates

- The penetration of CSR reporting in India and the extent of CSR reporting within companies.



- The institutionalization of their CSR.
- Explanations of patterns identified.

It further analyses whether the CSR initiatives taken by these companies are strategic in their nature. This research paper identifies a number of research questions that the investigation raises. The research methodology used is empirical research based on secondary data published by these companies. It will be descriptive research with quantitative data analysis.

KEY WORDS: CSR in India, CSR Reporting, Institutionalization of CSR.

INTRODUCTION

This paper investigates penetration of CSR in India. The investigation is inspired by the question as to whether there is a single system of CSR which top corporate organizations in India share. It presents analysis of the online portals and Annual Reports of the top Fifty Six Indian companies listed in the Fortune 500 ranking for year 2011. The companies are as follows (Fortune 2011):

Sr. No.	Company	Sr. No.	Company
1	Indian Oil	29	Canara Bank
2	Reliance Industries	30	ITC
3	Bharat Petroleum	31	Power Grid Corporation of India
4	State Bank of India	32	Power Finance Corporation
5	Hindustan Petroleum	33	Jindal Steel and Power
6	Coal India Limited	34	Union Bank of India
7	Tata Motors	35	Mahindra & Mahindra
8	Oil and Natural Gas Corporation	36	NHPC
9	Tata Steel	37	Indian Overseas Bank
10	ICICI Bank	38	Grasim Industries
11	NTPC	39	Oil India

12	Bharti Airtel	40	Sun Pharmaceutical
13	Steel Authority of India	41	Rural Electrification
14	Larsen & Toubro	42	Tata Power
15	HDFC Bank	43	Indian Bank
16	Punjab National Bank	44	Hero MotoCorp
17	Bharat Heavy Electricals	45	Syndicate Bank
18	Tata Consultancy Services	46	IDBI Bank
19	Reliance Communications	47	Oriental Bank of Commerce
20	Infosys Technologies	48	Reliance Infrastructure
21	Wipro	49	HCL Technologies
22	Axis Bank	50	Central Bank of India
23	Bank of Baroda	51	Corporation Bank
24	Bank of India	52	National Aluminium Company
25	DLF Limited	53	Allahabad Bank
26	National Mineral Development Corporation	54	Adani Enterprises Limited
27	GAIL	55	UCO Bank
28	Hindalco Industries	56	ACC

Specifically, the paper investigates:

- The levels of CSR penetration in India.
- The national profile in terms of the CSR issues targeted.
- Modes deployed for implementation of CSR Projects.
- The extent of CSR Penetration.

CSR is defined as social action (including environmental) which is beyond companies’ legal requirements. Although it was traditionally assumed that CSR was somehow beyond the company’s immediate profit-making activity, this criterion is hard to maintain in the context of the increasing development of the business case for CSR (Brown, 2001).

METHODOLOGY

The top Fifty Six Indian companies listed in the Fortune 500 ranking for year 2011 were taken as a sample under study. The websites of each company were examined for any CSR activities. Where such activity was found, the companies were labelled ‘CSR companies’ and the CSR web entries were subjected to further analysis. The CSR activities of these companies were classified in various ways: its extent; its institutionalisation (in terms of dedicated CSR organization and report); its waves (i.e. community involvement, socially responsible products and processes; socially responsible employee relations); and the combinations of issues addressed and modes deployed. It could be objected that company website reports are not an appropriate vehicle for this sort of analysis. First, it could be assumed that in India websites are not as widely used for business communication as in, say, in western systems. This could be premised on the much smaller proportions of the India population which use the internet than in western countries. This is largely a function of relative wealth as the main barrier to internet use tends to be the high costs of connection which means that ‘most companies in India will not catch up until the costs of connecting to the internet come down’ (Belson 2000). It could therefore follow that in countries with low internet use; companies would use other means to disseminate information about their CSR.

Internet Users in the India’s National Population: **61.338 million**
Country comparison to the world: 6 (Source: CIA 2009)

As per above statistics, there are considerable internet users in India and so top companies can take CSR Reporting through website seriously. Also CSR reporting is not just for customers or public at large but

it is for a range of stake holders like investors, actual and potential employees, NGO’s etc. Researcher acknowledges the possibility that companies may behave responsibly without reporting this, but given a key theme in contemporary CSR is its reporting and accountability, we would not expect this to be widespread. It could be objected that the findings would be unrepresentative of national business patterns because only very large companies would be analysed. This is, of course, true. However, most findings for CSR in western companies are also of very large corporations (Fukuyama, Francis, 1995). Although in neither case should findings be regarded as fully representative of all business, it remains the case that very large companies tend to be agenda setters in CSR and, as noted above, have relatively greater financial and other resources to devote to it. In recent years, this has gained added substance through the role of large corporations in providing assurance about the social responsibility of their supply chains and, thereby, impacting on smaller organisations.

Thirdly, it could be objected that CSR reporting is not necessarily a reflection of CSR policies and practice. On the one hand, CSR reporting may exaggerate CSR practice and performance, and on the other it might underestimate it. As the business case for CSR acquires more prominence, the possibility of CSR being related to marketing and branding strategies increases. Indeed, given the visibility of large corporations to stakeholder scrutiny there may even be an added incentive for CSR reporting in India as a means of anticipating criticism of their environmental, human rights and labour standards, for example, among western stakeholders. Notwithstanding such developments, our point is that the reputational damage a company would face if it had gone out of its way to claim to be following socially responsible practices and was then found to be acting irresponsibly would be greater than if it had not made the claims in the first place. Conversely, CSR may be underreported in companies which have long regarded their social responsibility as part and parcel of business or which describe certain components of CSR in other ways. Some companies may include reference to their CSR only in their financial reports. However, given that one of the key themes in CSR is its conspicuous reporting we would expect this possibility to be decreasingly likely. Overall then, we assume that CSR website reporting can be taken as a basic proxy for the company’s CSR policies and practices. The website offers various advantages for this sort of comparative study. It enables remote study of business. Although the layout and style of websites vary enormously, they offer a functionally uniform unit of analysis in that in all cases it represents an official presentation of companies’ policies and practices as opposed to representing the interpretation of these by, say, any one company official.

DATA COLLECTION AND ANALYSIS

(a) The Penetration of CSR Reporting in India:

The UK was selected as a benchmark of western CSR, particularly given its pivotal role in western cross-national CSR learning through such organizations as Business in the Community and Accountability (Fukuyama, Francis, 1995). Moreover, given that we also expected Japanese business to be closest to western CSR norms, we also include it in this phase of the analysis. The websites were investigated for reporting of CSR policies or practices. Where evidence was found, the respective companies were designated ‘CSR companies’.

The Penetration of CSR Reporting in Asia

Particular	Number	Percentage
CSR Companies	48	85.72
Companies with dedicated CSR Reports	31	55.35

Country Percentage of CSR Companies in the Top 56 Companies per Country:

India	UK	Japan
85.72 %,	98%	96%

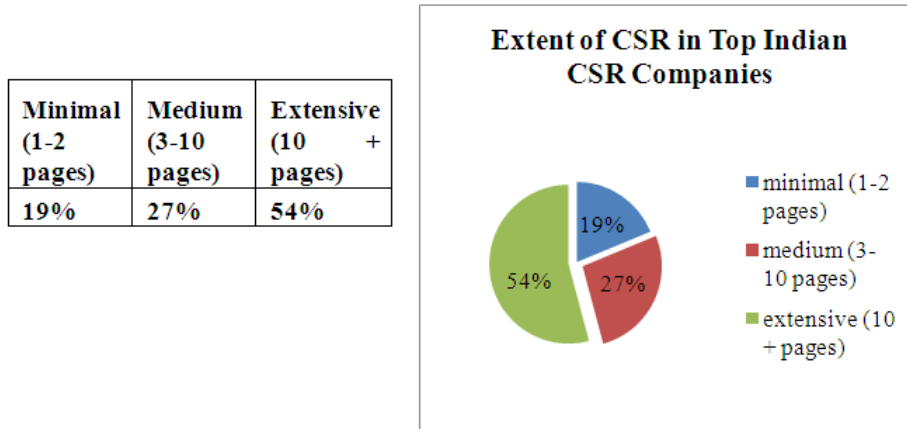
The first finding is that, there are not much less CSR companies in India than UK and Japan. The percentage says there is much awareness about CSR among these companies. But it is expected that almost 100% of the top 56 companies should report their CSR activities on company website.

(b) The Extent of CSR Reporting Within Indian CSR Companies

Researcher next investigated the extent of coverage that each CSR company devoted to its CSR reporting. The point here was to distinguish those which devote it relatively extensive attention from those who treat it more cursorily. It is assumed here that, in general terms, the greater the extent of the reporting, the more engaged the company is with CSR and the more seriously it is taken therein (Maitland 2002). It is difficult to come up with a uniform unit of analysis with which to precisely specify the extent of CSR reporting. This is because of the range of website reporting styles and the fact that whilst some of the reports were in the context of general company communications, others were in dedicated reports. We simply distinguish those companies whose extent of reporting was:

- ‘Minimal’ (i.e. one to two pages);
- ‘Medium’ (i.e. three to ten pages);
- ‘Extensive’ (i.e. over ten pages).

Following table and diagram shows the Extent of CSR Reporting by CSR Companies.



The above diagram indicates the percentages of companies which provided minimal, medium and extensive CSR reporting. More than half of the CSR companies reported CSR activities extensively and comparatively much less percentage of CSR companies (19%) reported it to minimum level. If we correlate the percentage of CSR with CSR companies which extensively report CSR activities, we can see if 85.72% companies are CSR companies then that does not mean they all are full fledged in to CSR.

(c) Dedicated CSR Report

Another indicator of the seriousness with which companies take their CSR is their readiness to produce a dedicated CSR report. Total percentage of companies which produce dedicated CSR Report on yearly basis is 55.25%. Not all top companies are producing dedicated CSR reports. This could be considered as an Indicator of medium level of CSR Institutionalisation.

(d) Waves of CSR Reporting

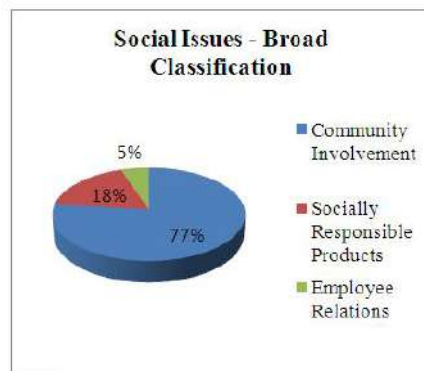
The researcher is interested here in the broad types of activities that CSR companies in each country are engaged in. Researcher follow Moon (2002) in distinguishing three ‘waves’ of CSR:

- ‘Community Involvement’,
- ‘Socially Responsible Production Processes’
- ‘Socially Responsible Employee Relations’.

Community involvement refers to the traditional assumption about CSR, that it is removed from the main business activity and outside the firm. Although this is often assumed to refer only to philanthropy, in the last few decades there have been much more engaged forms of community involvement through partnerships, sponsorships and even strategic alliances with governmental and community organisations. These forms of involvement tend to increasingly institutionalise CSR in company deliberations even though their objects remain outside the company. The second two waves reflect a threshold change in the conceptualisation of CSR such that it is no longer regarded as part of a company’s external affairs, but that it reflects *the way* in which the company does its business. In other words they refer to policies and practices within the firm. Socially responsible production processes refer to the ability of the company to demonstrate that both its supply chain and on-site operations are conducted in a socially responsible fashion, particularly with respect to their environmental, employment conditions and human rights. Socially responsible employee relations refer to the status of the workforce as a stakeholder in the context of company decision-making in general, and in the development of CSR policies and practices. These waves do not enable fine representation of national CSR systems. The composition of each wave does not necessarily remain constant and there are some points of overlap (e.g. when the choice of community partnership reflects employee preferences and participation). There is no necessary order of these waves, although empirically in the last three decades community involvement has appeared to be the biggest wave in the UK, followed more recently by the other two. However, analysis of CSR through these general waves does give a general comparative and dynamic sense of the ways in which companies direct their CSR resources and energies

National Waves of CSR

Community Involvement	Production Processes	Employee Relations
77%	18%	5%



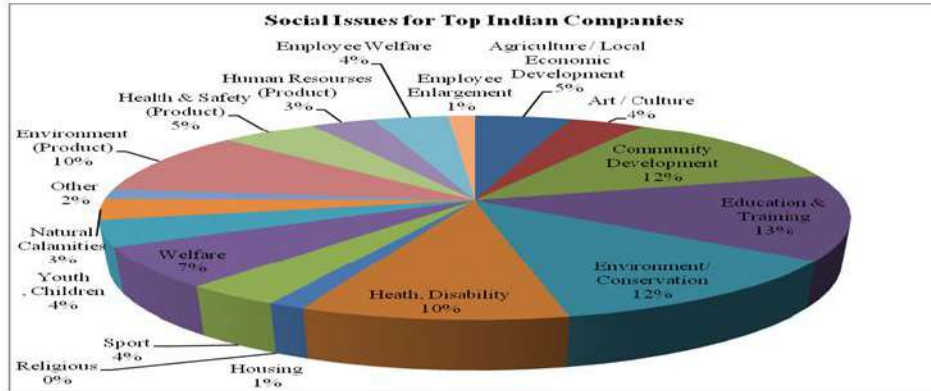
The above figure gives pictorial representation to these trends. In general terms CSR in India has, as in the West, only recently embraced the second and third waves. In India very few companies are engaged in socially responsible employee relations as part of their CSR. These findings confirm Moon’s (2002) proposition that currently community involvement is the most established form of CSR and is being followed by successive second and third waves of socially responsible production processes or products and employee relations.

(e) The National Profiles of CSR Reporting

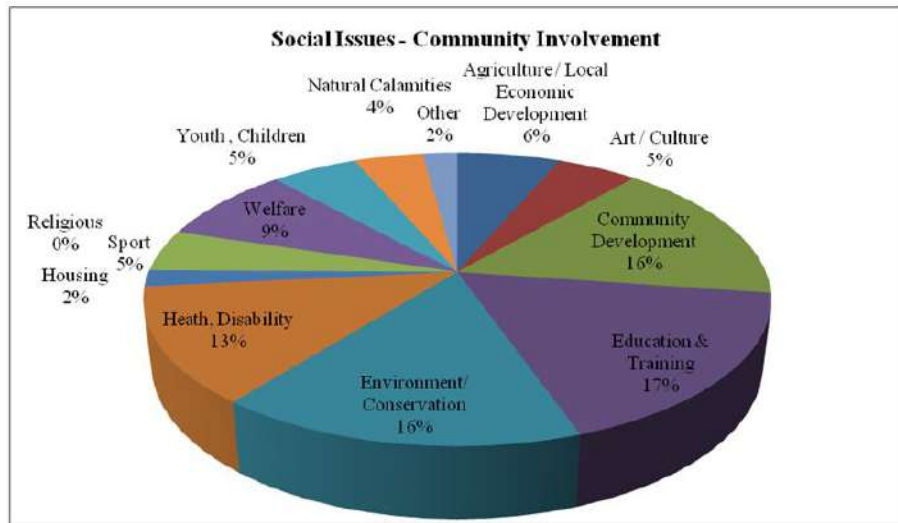
In this section, the researcher examines in more detail the national profile of CSR. We first distinguish CSR *issues* which make up the three waves of CSR depicted above. In the first wave, community involvement, we include agriculture, local economic development, arts & culture, community development, education & training, environment & conservation, health, housing, religion, sport, welfare (including poverty and emergency relief), youth & children related projects and other. The second wave of product related CSR includes issues relating to the environment, health & safety and human resources. The final wave, employee relations pertains to the issues of employee welfare and employee engagement. The point here is to get some sense of the sort of social problems and opportunities that are seen as appropriate targets for CSR in each country. Secondly, we distinguish the different *modes* by which these issues are addressed. The point here is

to get some sense of the ways in which CSR is deployed and we will broadly distinguish philanthropic from a number of extra-philanthropic modes. Evidence of the latter signals some greater levels of institutionalisation of CSR.

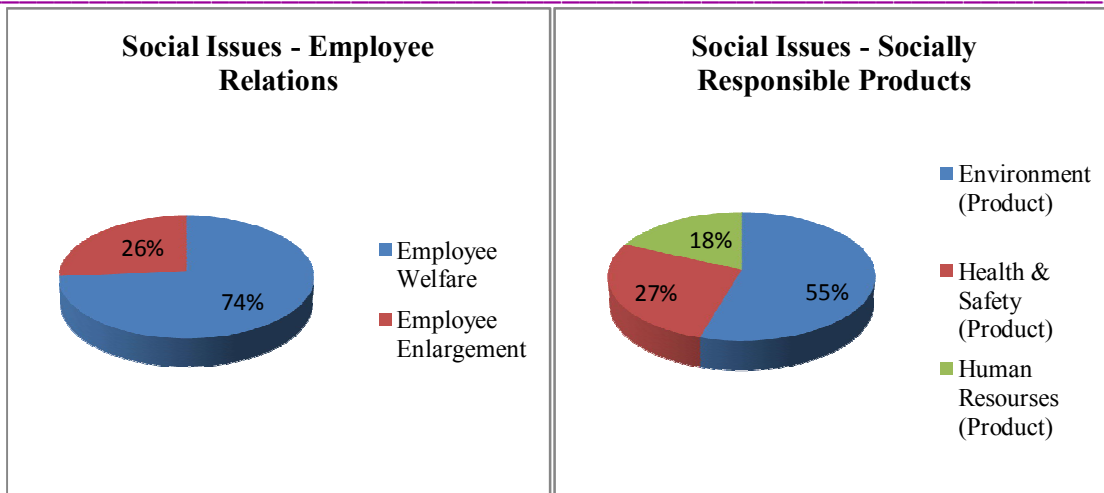
J) CSR Issues



The above figure provides an overview of the CSR issues prioritised. Generally speaking, education & training seem to be the most important issue across for CSR Companies. Almost equal attention is given to Community Development and Environment Conservation. It is interesting to know that more attention is given to education and training than environment conservation. No company has taken any religious activity under CSR while employee enlargement is seen least preferred CSR activity among top 56 Indian Companies.

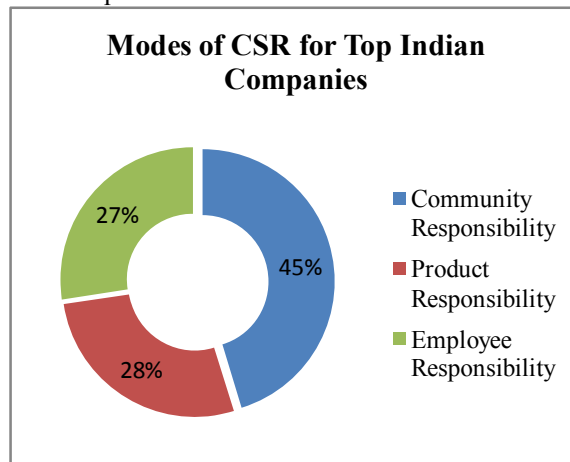


As per above diagram, in the community involvement wave, the three most prominent issues were education and training, community development and environment and conservation. When creating socially responsible product as a CSR, maximum preference is given to make environment friendly products. And if at all companies doing CSR activities for employee relation, maximum of them are related to employee welfare. The same can be seen in following diagrams.



II) Modes of CSR

In analysing the modes of CSR which companies adopt we are able to distinguish those which use the relatively traditional philanthropic mode from those which better institutionalise and embed the ways in which their CSR is deployed. By engaging in partnerships, sponsorship relationships, adopting CSR codes and encouraging employee volunteering, companies build their CSR into their mainstream activities become less philanthropic and more about stewardship. The case of foundations is more difficult to conceptualise, as whilst they are by definition institutions with processes, rules and budget parameters, they also remove the CSR from the company itself (Moon 2003). Following figure shows the findings. Maximum institutionalization of CSR is done by Community Responsibility while institutionalization done by employee and product responsibility is almost equal.



CONCLUSION

In conclusion, not only does CSR in India vary nationally by penetration, and CSR waves, it also varies by the issues to which CSR is directed. There is less variation, however, in the modes deployed to deliver the CSR. Here, though, lies a marked contrast with CSR in the west where extra-philanthropic or more institutionalised modes of CSR are more prominent. The paper identifies very different levels of CSR penetration in India. It concludes that for India, CSR lags behind that in the UK and Japan but not much behind. Notwithstanding this east-west contrast, the paper confirms the pattern of waves of CSR proposed by Moon (2002); that community involvement is being followed by successive waves of attention to socially responsible products and processes, and employee relations. The paper finds that there are very different levels of CSR penetration in India. Furthermore, it finds that there is considerable national distinctiveness in the CSR issues targeted and the modes of CSR deployed. A number of questions arise from this research. It

could be objected that the findings mask sectoral issues. In other words, what seem like national findings may actually reflect the sectoral identities of the top fifty six companies. Clearly there is scope for case study research to follow up these conclusions. It could also explore the different meanings of CSR that lie behind the national profile. In particular, research could explore the distinction between those activities which are so basic to business success that describing them as CSR is superfluous and those social responsibilities which are simply not performed.

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