

A STUDY OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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ABSTRACT

Corporate Social Responsibility has transformed a lot from the conventional philanthropic doings by big corporate houses and came a long way from just fulfilling the responsibility restricted to paltry welfare of its immediate employees and their families. Indian businesses have a long tradition of engaging in philanthropic and community programmes and entrepreneurs today are effectively using these principles of social-business. They have imbibed the advantage of ethical behaviour of their company towards society. As a result, businesses now enjoy benefits like lower tax rates, reduced regulatory interventions, faster approvals, highly motivated workforce, customer loyalty, risk mitigation, enhanced brand image, value-based supplier network and favourable public opinion about company. This paper analyses these business benefits and more in the context of cases from Indian businesses.

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INTRODUCTION

A company called Semco in Brazil has managed to make money and improve lives of people who work for it at the same time. It is not being socialist nor purely capitalist either, it is a new way of running business; a third way, a more humane, trusting, productive, and in every sense, rewarding way (Semler, 1993). This way is not new to India. The Indian ethos, visible all along Chanakya-Sutras, is meaningful even in the present context of globalisation of businesses. It summarises ethics as: 'The world is looked after through ethics. The chief wins people by showing empathy and following truth; hence they are revered like mother which ultimately result in happiness in this world by distribution of wealth' (Garde, 2008). India is fortunate to have business leaders like Ratan Tata and Narayan Murthy in this context.

APJ Abdul Kalam rightly believe in the context of responsible development that 'it does not make sense to achieve a 'developed' status without a major and continuing upliftment of all Indians who exist today and of the many more millions who would be added in the years to come (Kalam & Rajan, 1998). Corporate Social Responsibility can be defined as creating value for the society at large benefitting all the stakeholders in the business by efficient use of resources. Today, the concept is developed into much bigger arena and is qualitatively different from the traditional concept of philanthropy. Bindeshwar Pathak of Sulabh believed in different philosophy as against the usual about earning more and pocketing it to shareholders. Sulabh International had a Rs. 10 crore overdraft in SBI to be utilised for organising a world toilet summit and for the trip to women employees in US. These employees were supposed to stay right opposite the UN building against any cheap hotel. The company believes, 'the benefits of globalisation should go to the poor' (Bansal, I have a Dream, 2011).

BUSINESS BENEFITS OF CSR

In this section some of the benefits of business which can be associated with corporate social responsibility are discussed. The efficient use of resources in a business to benefit all the stakeholders involved has an across-the-board impact on financial performance and reduced operating costs. This ultimately results into increased revenue for the businesses. This usually happens if a sense of social responsibility spreads throughout the organisation in all the business processes and become a routine practice amongst its employees (Agarwal, Sanjay K., 2008).

As the competitive atmosphere further increases amongst the companies in today's ever changing nature of businesses; product differentiation is becoming more difficult with the blurring margins. The companies which are improving their image by showing socially responsible behaviour are assured of sustainability in effectively differentiating their brands from their competitors. Touching the emotional cord is another way to create soft-corner in the minds of people. Consumers not only buy safe and healthy products but they now give preference to the products produced in socially and environmentally responsible way. Emergence of 'cause –branding' and 'eco-labelling' substantiates the above principle with greater emphasis than ever. Further, in socially inclined businesses there seems to be the development of a natural soft-corner in the minds of employees towards their employers. These social initiatives additionally help in attracting and retaining best available talent in the industry as these employees tend to develop a tendency to contribute to society in longer run. It is further observed that there is an attitude of leniency on the part of government and regulators towards socially inclined businesses practicing corporate social responsibility. These companies are found to be getting away with preferential treatment in many licensing and regulatory aspects of their businesses. Further, financial institutions are also now giving preferred treatment to the companies with social sustainability as they have found relevance of sustainable development and governance on equity valuations.

THE INDIAN CONTEXT

In India, the big corporate houses like Tata's and Birla's have long been associated with their employee welfare and immediate community programmes by way of engaging themselves in creating infrastructure for schools, hospitals and temples. The tradition of Tata philanthropy goes back to 1892 when Jamsetji first gave grants to two lady doctors to go abroad and specialise in gynaecology. In the next hundred years the JN Tata Endowment for the higher education of Indians was to give loans to 2000 students towards their studies abroad. The book 100 Great Modern Lives by John Canning concludes: 'Probably no other family has ever contributed as much in the way of wise guidance, economic development and advancing philanthropy, to any country as Tatas have to India' (Lala, 1992).

As a part of its corporate social responsibility; Tata Steel invested in waste separation project which ultimately resulted in earning the company twenty times of the amount invested by selling this separated waste. This kind of utilisation of resources thus helps in improving the financial performance by means of improved revenues. Mahima Mehra of Haathi Chaap wanted to work in recycling, but not as NGO and she ended up starting a business of

handmade paper. As corporate social responsibility 8 % of Haathi Chaap's profits go towards funding an elephant ambulance in Jaipur. Ultimately, Haathi Chaap's paper making business is an enterprise born out of passion for recycling (Bansal, Connect The Dots, 2010). Aavishkaar Social Venture Fund supported rural entrepreneurs in India and today it has 23 companies which generate profits, returns to investors and addresses an important social cause simultaneously. Rangasutra run by Sumita Ghose, a for profit venture; sources craft and textile from villages and retails through Fabindia. Through Ecosphere, Ishita Khanna promotes eco-tourism and berry processing resulting into dual benefit of economic incentives to mountain folk and preservation of their majestic heritage. (Bansal, I have a Dream, 2011). All these companies show wisdoms of social and environmental commitment and at the same time are making profits, but, they enjoy financial longevity and sustainability in future in contrast to their peers.

The regulatory bodies often show leniency towards companies having strong social commitment like Infosys and Tata's. One of the recent examples include the State Government of UP giving exemptions to SA8000 certified companies. Banks, financial institutions and even venture capitalists are now inclined to provide access to capital to companies committed socially. One of the main reasons is that these companies are increasingly seen as lesser risky ones due to their social obligation and environmental compliance. Reserve Bank of India recently asked banks to look in the domain of sustainable development. Infosys is another example in this context whose annual reports are supposed to best in the world in terms of clarity and details. The company believes long-term investment could be attracted only by keeping the company's operations and financial dealings transparent (Vedpuriswar, 2005).

Employees of today are showing a preference to the companies who are socially and environmentally ethical. Kishor Biyani of Big Bazaar believe that every human being has immense potential and his company ensures that everyone who joins; understands the soul of the organisation, and that the company help them achieving their true potential (Biyani & Baishya, 2007). Shantha Biotech recruits people who have hunger to do something for the country. The company helped the underprivileged by crashing price of a vaccine from Rs. 750 to Rs. 50 and today the vaccine is sold for as little as Rs. 15. The employees here understand that they all have a social obligation and they need to fulfill it. Further, Arvind Eye Hospitals paramedical staff is the key to the success of its business model. The tenth standard pass girls are recruited from the villages and are trained for couple of years and placed as nurses. These girls are found to be tremendously satisfied employees; the

satisfaction derived from helping people regain their sight and earn respect and recognition in the community (Munshi, 2009).

As the product differentiation is becoming difficult day by day; emotional binding with the customer or the consumers provide a one stop solution in sustaining brand image of the companies. Through the eChoupal, IBD has changed the business model of commodity trading. By marrying technology with trading in rural market, IBD has brought in a new paradigm. The strategy of dealing with the end farmer directly has been very successful with both farmers and the erstwhile middlemen being co-opted (Munshi, 2009). The company now sells its wide range of consumer brands thorough eChoupal initiative. Their direct relationship with farmers opened rural market for ITC through sustained branding for many years to come. Amul's soft advertisements on the other hand helped in creating an emotional bonding with the consumers in long run. The persistent effort on the part of Amul has helped the company in sustaining its consumers across its product range. This ultimately resulted into increased sales by means of a sustained consumer loyalty.

CONCLUSION

Corporate Social Responsibility came a long way from just fulfilling the responsibility restricted to welfare of its immediate employees and their families. Indian businesses have long been associated with charity and philanthropy. Today, companies are better aware about efficient use of available resources; their environmental responsibility; their commitment to the society and mother earth at large. As a result, businesses now enjoy benefits like lesser government and regulatory pressure, highly motivated workforce, customer loyalty, enhanced brand image, value-based supplier network and a favourable public opinion about company. This holistic approach to the corporate social responsibility has resulted into achieving business sustainability. To conclude it would be fit to quote Axel Sahlin's speech given in England when prospectus for the projected iron and steel works was published by socially committed Tata's in 1907 which shows the power of social responsibility, it reads, 'From early morning till late at night, the Tata offices in Bombay were besieged by an eager crowd of native investors. Old and young, rich and poor, men and women they came, and at the end of three weeks, the entire capital required for construction requirement ... was secured, every penny contributed by some 8,000 native Indians.'

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