

**New Avenues for Corporates for CSR with CSV to have Sustainable development in India –a perspective.**

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**ABSTRACT:**

CSR as an ideology is not something new to India. The concept can be traced backed keeping the modern definition to early 1940s when Mr GDBirla<sup>3</sup> advocated the model of trusteeship for companies. Even before CSR became a buzz word Indian business houses have long been practicing and fulfilling their social responsibility. It was only when Company law 1956 was replaced by Company Law 2013 which made it mandatory for companies, which have return of Rs 500 crore or more, to spend 2% of their profit in CSR. Before the enactment of law it was done voluntarily but the present state demands Indian corporate houses to have a new vision. This is essential as India stands or we can say falls at 131 position in Human Development Index report 2016 out of total 188 countries because of wider disparities in education, health and living standards.

This is an issue which requires all stakeholders of the community to zero in their efforts together for a brighter prosperous India. This paper tries to explore the various areas where companies are spending and forwards few suggestions for newer avenues for creative philanthropy.

**Key words:** CSR, CSV, Creative philanthropy, Sustainability, new areas for CSR.

**1.0 INTRODUCTION**

**Corporate Social Responsibility** implies the ethics of doing business conducive to all the stakeholders of the society. It entails looking the welfare of society continuously to sustain the real development. With growing popularity of CSR organizations are expected to behave responsibly by adopting --Go 'Green', ethical consumerism, and adopting 'Best practice'. This synchronizes

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<sup>1</sup>Ghanshyam Das Birla was one of the pioneer of Birla family of Birla Industry who believed in philanthropy.

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with United Nations Sustainable Development goals<sup>4</sup> which are to be achieved by year 2030. The changing scenario makes it pertinent that development should comprise of all stake holders doing active participation in CSR and simultaneously savoring the nature.

CSR implies looking after three parameters:

- **The People**
- **The Planet and**
- **The Profit**
- **People** This notion denotes that organizations need to cater to the aspirations of all the people involved directly or indirectly to the business.
- **Planet**--The phrase represents that an organization should look that its product and mechanism of manufacturing is not corroding the natural environment in any manner.
- **Profit**--This identifies that company needs to achieve its objective to sustain its business with profit margin.

In a nutshell an organization can prosper in real sense if it is able to look after its people, save the environment, and achieve profit with obligating the duties towards society. This can be done by adopting green practices that is **Go Green by**

(a) Producing lead free products

(b) Analysis of the current situation to ascertain are we doing the right thing.

(c) Producing Eco friendly products.

To standardize CSR practices globally ISO 26000 has been adopted as the benchmark for CSR. The term Triple Bottom line was first time used by John Elkington in his book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (New Society Publishers), in the year 1994. The term showed the importance of achieving the goals of an organization that is profit with nurturing the environment that is planet and looking after the welfare of people. At the same time.

## **2.0 NEED FOR CSR IN INDIA:**

It is an irony as per the report of TII<sup>5</sup> fellowship 2017 in India that

- 80% of the wealth is owned by 10% of rich people
- India's labour force has just meagre 27% of women
- Despite government initiatives 76% of children in India cannot fund themselves for higher education.
- India is at 141 place out of total 180 countries on The Environmental Performance Index 2016 report

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<sup>2</sup> United Nations adopted sustainable development goals to be achieved by year 2030 which in total has 17 goals.

<sup>3</sup> Transforming India Initiative (TII) conducts programme for practical based learning.

Another report by Samhita<sup>6</sup> on CSR which was supported by Rockefeller Foundation in August 2016 portrays the ambiguity companies are having for adoption of CSR. The law is not transparent regarding the collaboration of business with CSR. Government should clearly communicate the role companies can play for CSR, alignment which is possible and new innovative strategies they can adopt for CSR. As per the above report 52% companies want to adopt new strategic approach still because of unconvinced nature they fail to put this into action.

### **3.0 CSR APPROACH IS CSV<sup>7</sup>**

CSV portrays the true development where growth of society and success of company go hand in hand. India has live examples of having shared values. Amul<sup>8</sup> cooperative society through its white revolution, transformed the milk starved country to one where milk products are now easily available at door steps. Many artisan contribute and earn to Fabindia's<sup>9</sup> unique business value. GMR Varalakshmi Foundation<sup>10</sup> encourages its employee for social responsibility. To increase awareness and shared value Indian government has established National Foundation for Corporate Governance<sup>11</sup> [NFCG]. The institution works towards propagating the cause of having development by following good governance practices. Globally fourth Monday of February is observed as International Corporate Philanthropy Day [ICPD]. The wave of corporate responsibility is gaining grounds which is supported by a report of Grant Thornton<sup>12</sup> in the year 2014. The report witnessed the rise of CSR activities around the world as organizations have realized that by sheer profit mechanism a company cannot prosper. It needs to indulge in motivating employees and respecting their values. As per the opinions by Michael E Porter and Mark R Kramer, in an article published in Harvard Business Review, the notion of shared values percolating in the policies of the organization adds volumes to the growth of organization instead of mere CSR.

### **4.0 LITERATURE REVIEW -- CSR IN INDIA**

India has always been pioneer in propagating the cause of CSR. Though it was practiced both individually and collectively by corporates still aligning with company's strategy, profit and vision

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<sup>4</sup> Samhita is an organization working in social sector. Together with Rockefeller Foundation it tabled a report on CSR in August 2016.

<sup>5</sup> Creating shared value (CSV) first appeared in an article of Harvard Business Review which denotes the alliance between CSR and being competitive at the same time.

<sup>6</sup> Amul, cooperative federation, was formed in the year 1950 in Anand city of Gujrat. It brought white revolution.

<sup>7</sup> Fabindia sells ethnics clothes made by rural India people through it stores across India.

<sup>8</sup> GMR Varalakshmi is society formed by GMR group which looks after CSR activities of the group.

<sup>9</sup> National Foundation for Corporate Governance (NFCG) is a government organization to propel the cause of corporate governance.

<sup>10</sup> Grant Thornton is a global firm which deals in consulting on financial issues and tax related issues.

is something which still is at nascent stage. With the incorporation of Company Law 2013 the option becomes somewhat mandatory for overall picturesque. Basically in India the growth of CSR can be categorized into 4 development stages as per Sundar(2000). Later Chahoud et al. (2007) supported the division of CSR by Sunder as India was going through various economic and sociological changes . Later on Anupam Singh and Dr. Priyanka Verma(2014)in their paper added fifth stage with the inception of Company's Act 2013. The five stages denote the transition from policies framed in compliance of family and friends in the year 1916 ; to policies driven by independence struggle with Gandhi's principles to social upliftment till 1960; to sustain the liberalization regime with laws on labour and standardization of running business as per laws till 1980 ;to sustain growth and profit by trying to align CSR with objectives till 2013 ; and the current stage after 2013 as per Company law 2013 which mandates companies to spend at least 2% of their profit in CSR if it is having annual return of more than 500 crores.

### **5.0 RATIONALE AND SCOPE OF THE STUDY**

CSR as a concept is gaining acceptance by companies yet they are tied only to few sectors which hampers the equitable growth mechanism. CSR is shared value and once this notion creeps in then the results will be multifold. The paper tries to examine the various sectors which are being touched by companies and to unveil the new horizons which are being left or unnoticed. This will help in furthering the goal of sustainable development.

### **6.0 GOALS OF THE STUDY**

- Study of CSR spending mechanism by companies in various prominent sectors
- Find out new areas where CSR can bring about phenomenal change in social and economic development of the country.
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### **7.0 RESEARCH METHODOLOGY**

The research paper is based on the data which is gathered from various sources like UNDP report, NCRB report, CSR trends report, sites of various companies and their expenditures on CSR. To further strengthen the analysis information was selected from various research papers from journals, SSRN, web sites. All the data and information was analyzed and based on analysis the interpretations were made and suggestions were recommended.

### **8.0 CSR IN INDIA—TRENDS**

It is a matter of pride that the list of **Forbes Asia**<sup>13</sup> heroes of Philanthropy2017 includes five Indians. The pioneers are Mr. Sanjeev Bikhchandani of Info Edge India; Mr. Sanjay Lalbhai of Arvind Limited;Mr. Anand Mahindra of Mahindra group ;Mr. Subhash Chandra of Essel Group;mr.

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<sup>11</sup> Forbes Asia started in year 2008. It recognizes people from different areas who are into philanthropy.

rajiv Gupta of Surat Diamond Jewellery and Mr. Muthalampet Mahadevan, of Oriental Cuisines .Yet India is not having equitable development . if one looks the CSR spending by organizations are predominantly curtailed into few sectors. Notably these are:

### 1. Health sector

TATA group has been pioneer in the area of health sector. It has set up TIA that is Tata initiatives on AIDS . It creates awareness about AIDS in society . TATA group has set up various institutes to create health awareness and treatment by setting up Tata Memorial Rural cancer Project in Mumbai ;Tata Memorial Centre for Cancer Research, Mumbai .

In the domain of eye care one name that shines is Aravind Eye Care System set up in the year 1976 by Dr.G.Venkataswamy in Madurai . The hospital is a renowned name not only in India but abroad also .Most of the patients are treated free in this hospital.

Rohini Nilkhens<sup>14</sup> Arghyam funds sanitation projects in India. The Serum Institute Of India Pvt. Ltd<sup>15</sup> CSR initiative *Adar Poonawalla Clean City* is an initiative towards greener cleaner Pune city by its 'Zero Garbage Ward' model. The model helps to clean the city by utilizing waste and processing it which helps to keep the city clean helps

### 2. Education sector

Companies are now looking beyond their operational imperatives. Thermax <sup>16</sup> works in collaboration with CII<sup>17</sup> to train young people in soft skills .

- Maruti Suzuki launched e-Parivartan in 2013 in rural community in Hyderabad to issue cases like health and education .They encourage the elders to connect with schools. It received CII-ITC Sustainability Award for CSR in2016.
  - Rohini Nilkhens foundation has developed EKStep, an education app that is catering to look after the needs of children between the age of five and 10 to prepare for demographic dividend in 2030.
  - Welspun Energy<sup>18</sup> is creating awareness about education and health
  - Bharti Foundation<sup>19</sup>, works in the area of providing education to economically weaker children. It started Satya Bharti Schools in the year 2006. It has more than 250 schools spread across different states of India.

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<sup>12</sup> Rohini Nilekani established ARGHYAM .The trust works to provide safe drinking water for all and creates awareness about sanitation.

<sup>13</sup> Serum Institute of India Pvt. Ltd is Pune based vaccine manufacturing company.

<sup>14</sup> Thermax. D Ltd.is an Indian engineering company. It builds boilers and has offices in India and Britain.

<sup>15</sup> Confederation of Indian Industry is a government initiative to develop industries in India by creating suitable environment.

<sup>16</sup> Welspun Energy works in the areas of power generation.

<sup>17</sup> Bharti Foundation was established by Bharti enterprises for fulfilling social responsibility and primarily works in the area of education for economically poor children.

- Thermax has collaborated with Pune’s English Language Training Institute and other schools of Pune and educates children in the domain of English, Mathematics, and science.
- GMR<sup>20</sup> educates the kids of its construction workers through its shift over school called as Bhima Bhoi Tent school under the guidance of its foundation GMR Varalakshmi Foundation
- Companies like TCS, Wipro contribute their share in education by creating software which are helping both teachers and students

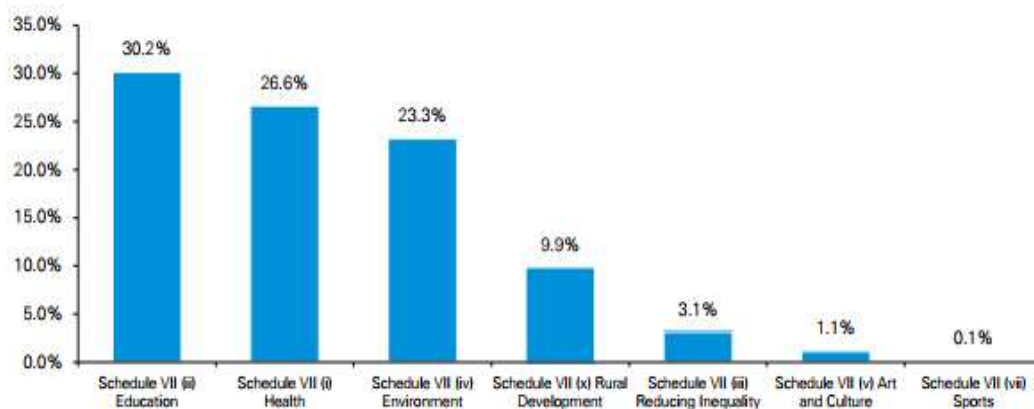


Fig 1source: KPMG India's CSR Reporting Survey 2016

Survey report by KPMG tabled in the year 2016 depicts the spending of Indian companies which is notably in three areas Education, Health and Environment. The sustainability goals calls for investment in different spheres for development of nation with equality.

### 3. Other sectors

Indian corporate houses have stepped ahead of education and health and ventured into other social areas. Some of them being:

- Birla trust with the help of state government in Rajasthan caters to daily meals to poor children in public school.
- Mahindra group nurtures creative talents in functioning arts by instituting Mahindra Excellence In Theatre Awards (META)
- Most of the Banks encourage Go **Green** by emphasizing e payment, e receipt and online transactions and preserve nature.
- As per survey of Nielson in 2009 Indian companies –Tata Motors and Tata steel and Reliance industries were pioneers in fulfilling social responsibilities.

<sup>18</sup> GMR Varalakshmi Foundation (GMRVF) established by GMR group works in the area of sanitation, education etc.

## **9.0 DISCUSSIONS AND SUGESSTIONS**

Time is conducive to look beyond the horizon. As per 2011 census, youth accounts for 20% of the total population. It is expected that these young lot, which sums to be around 700 million, will join the work force by 2022. A global study by Programme for International Student Assessment, PISA<sup>21</sup>, ranked India at 72 position out of total 74 countries in the year 2009. This testing is basically done after every three years to test mathematics, science and reading skills of 15 year old school pupils. This data is further cemented with FICCI<sup>22</sup> skills report 2012, which says that only 10% Indians receive any skill training. The figures are not encouraging as India is going to witness *Demographic Dividend* by the year 2030. With these statistics, introspection is required from our corporates to spend money not only on providing education but also on job sustainability.

Sheer education and health provision wouldn't serve the purpose. Creative philanthropy is required. This approach would have socio economic transformation in the long run. Another survey report by UNDP<sup>23</sup> in year 2017 places India at 131 place among 188 countries in United Nations Human Development Index (UNHDI) due to wider disparities in education, health and living standards. This is due to growing inequality in living standards of our citizens. Companies can achieve a balance and integration of economic, social and environment objectives through CSR. Some of the areas for CSR which can be looked upon:

1. **Electricity generation-BIMARU<sup>24</sup>** states have inadequate supply of electricity and people are forced to struggle long hours without power. Industries have either closed down, as most of the leather industries of Kanpur or are reluctant to open out new ventures in these states. Companies can opt out to provide electricity which will be welcomed by all quarters of people. We need more initiatives like Tata Power as they ventured with Distribution Franchise Agreement (DFA) for distribution of electricity in Ajmer

2. **Biodiversity protection.** It is imperative to preserve the depleting non-renewable sources of energy. Needs are magnifying but means are shorting hence steps to preserve these resources is required. We have TATA Company as the lead. To recognize its contribution it was awarded with CII-ITC Sustainability Awards 2016 – for major achievement in biodiversity. Their programme 'Act for Mahseer'<sup>25</sup>, is second major movement after Save the Tiger

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<sup>19</sup> Programme for International Student Assessment (PISA) was started in the year 2000 to test the skills of the children on three parameters that is mathematics, science and reading to 15 year old school children.

<sup>20</sup> Federation of Indian Chambers of Commerce and Industry is a conglomerate of business houses of India.

<sup>21</sup> United Nations Development Programme conducts survey across member nations to assess the overall growth of the country not restricting to economic prosperity on Human Development Index.

<sup>22</sup> BIMARU is an abbreviation used for five states of India: Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh

<sup>23</sup> Mahseer 'is an Initiative to save to save the rare variety of fish which are slowly depleting.

**3. Environmental protection-**The search for prosperity and greed to have more has resulted in neglecting the greenery around us. The resultant is various ailments like asthma, respiratory problems, skin diseases, eye irritation and cardiac problems. If neglect continues soon we would be surrounded by concrete palaces with no fresh air to breathe in. Companies need to pour in as presently only a handful of companies to be precise one third out of 100 companies use their CSR budget for environmental activities as per study by Next Gen<sup>26</sup> 2015-16. This is essential as part of Paris Climate Treaty<sup>27</sup>, India is now vowed to reduce its carbon emission.

**4. Work life balance-** Coping with stress and emotions too needs to be tackled as 15 suicides took place every one hour during the year 2012 as per National Crime Records Bureau {NCRB}<sup>28</sup>. The stress level among Indian women is 87% as compared to other nations especially USA which is 53%. Indian male alpha still needs to come in terms with metro women. Companies should do restructuring of policies and redesign their jobs to fill the absence of fairer sex in mainstream employment.

**5. Life skill developments-**NCRB report 2014 is very alarming as 41% of all suicides is from the age bracket of 14 to 30 years. Coordination of counselors with schools at the earliest level of education is required. Today's youth is lacking in creative thinking and coping with stress. Companies should coordinate with schools and colleges so that youth is prepared to foray in the corporate world and ready to sustain both positive and negative implications attached with corporate working life style. Companies like Tata Power Skill Development Institute<sup>29</sup> (TPSDI) are doing a major contribution by imparting skill training.

**6. Job Opportunities-** The rising unemployment among youth leads to rising crime rates and suicide rate. It is an irony that nation which performs puja on Goddesses is a home to crime on women. The report by National Crime Records Bureau {NCRB} in 2016 states that it is up by 53.9% in comparison to last year. Another figure quotes 49% young unemployed. This is a perfect trap for young to fall to wrong deeds as empty mind is more vulnerable to false deeds. Creation of new jobs is the only solution to keep the young workforce engaged.

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<sup>24</sup> NextGen works in the direction of protection of green environment by reduction of greenhouse gases. It advises companies how to lower greenhouse gas emission.

<sup>25</sup> The Paris Agreement, is a promise among member nations of United Nations to reduce emission of greenhouse gases.

<sup>26</sup> National Crime Records Bureau, a government organization which produces report on crime scenario in India each year.

<sup>27</sup> Tata Power Skill Development Institute (TPSDI) trains youth in skills for employability.



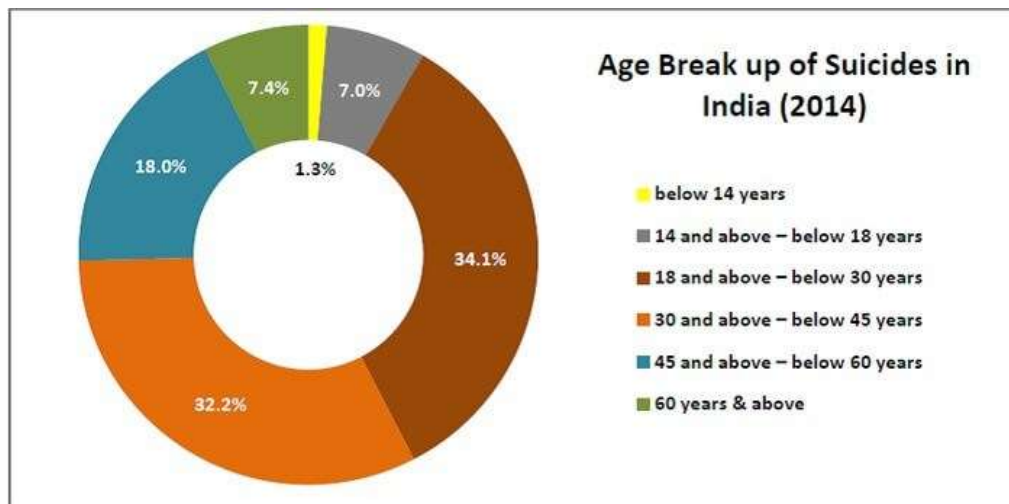


Fig 2 source NCRB report 2014

7. **Hygiene and clean water**-As per the Global risk Report released by World Economic Forum 2014 world is facing a higher risk in respect of clean safe drinking water ..Despite foraying into the 21st century millions of Indians are still struggling to have clean drinking water and are defecating in open. Long queues near hand pump are early morning sight in most of the cities and major clashes have even culminated to deaths .Companies will both serve the nation and create job opportunities by foraying into this venture. .

No.	Global Risk
1	Fiscal crises in key economies
2	Structurally high unemployment/underemployment
3	Water crises
4	Severe income disparity
5	Failure of climate change mitigation and adaptation
6	Greater incidence of extreme weather events (e.g. floods, storms, fires)
7	Global governance failure
8	Food crises
9	Failure of a major financial mechanism/institution
10	Profound political and social instability

Fig 3 source: Global Risks Perception Survey 2013-2014

## 10.0 CONCLUSION

With the passage of Company Act 2013 which adds CSR as mandatory regime more than 8000 companies comes under the purview of CSR umbrella. This amounts to a whopping Rs.12, 000-15000 crore rupees spent each year on CSR. . Still the investment is not zeroing in evenly to cater equal prosperity and growth in all sectors.

The ambiguity of the law makes the companies feel CSR more of a responsibility than voluntary

move to bring about change. In order to smoothen the process the government should clear the fog on the law and make the provisions more transparent only then the situation will change and companies would then not restrict CSR as act of 'doing social good' but develop it to 'business necessity'.

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