Subhasis Ray · S. Siva Raju   *Editors*

Implementing Corporate Social Responsibility

Indian Perspectives

Springer

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Preface and Acknowledgements

India's emergence as an economic power began with the onset of liberalization, which was followed soon after by the concept of Corporate Social Responsibility (CSR). Since then, the role of the corporate sector is to merge economic growth with social consciousness. This has been accorded a crucial place in the agendas of both, private and public sector companies. Private sector companies have been provided with guidelines to ensure that they implement CSR activities for social development in their areas of operation. There has, thus been an increase in concerted efforts on the part of the corporates towards interacting with building community relations, create channels of communication with various stakeholders and monitor and assess the impact of their CSR activities in communities. In addition, the private sector is also seeking opportunities to partner with other governmental and non-governmental entities for a well-rounded development of the community. Given the multiplicity of activities, projects and stakeholders in the field of development, it has become important to identify, map and analyze the extent of the impact of various CSR activities and the means adopted to implement them.

In this respect, realizing the need to assimilate different CSR approaches and provide a common platform to implement CSR activities in a better way, the first National Conference on Corporate Social Responsibility: Issues in Implementation, was organized jointly by Xavier Institute of Management Bhubaneshwar (XIMB), India and Tata Institute of Social Sciences (TISS), Mumbai, India at XIMB in February, 2012. The major objective of the conference was to bring out and analyze various aspects of CSR in general, with special emphasis on mapping its territory in the development of our society in the Indian context. Issues, such as upcoming trends, new practices, innovative partnership arrangements, problems and challenges in the functioning and evaluation of public and private projects, were discussed at great length. Given the high quality of these discussions, an edited volume of select conference papers was conceived.

The present volume consists of 14 papers authored by researchers and practitioners who are closely associated with CSR in India. The edited volume presents experiences from theory and practice of CSR to provide the readers with an enhanced understanding of its trends, best practices and some key learning issues. We hope

the readers will find this volume useful for CSR research, formulation of policies and their sound implementation in the country.

We are grateful to all those who have contributed to the successful organization of the conference. We would like to thank Prof. S Parasuraman, Director, TISS and Fr. P.T. Joseph, SJ, Director, XIMB for their continual guidance and support. Thanks also to Ms. Sushila Nayak, Centre for Resettlement, Rehabilitation and Corporate Social Responsibility, XIMB, for helping to organize the conference. Our thanks are due to Ms. Sudha Ganpathi and Mr. Venkat for their efficient copyediting of the papers. Our sincere thanks to Ms. Priyanka Bhosale for her continual assistance and coordination in finalizing the volume.

<div align="right">

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Contents

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List of Figures

List of Tables

Chapter 1
Measuring Performance of Corporate Social Initiatives: Some Methodological Issues

S. Siva Raju

Abstract Corporations, as social institutions, are increasingly realising that their activities impact and are impacted by the society. This realisation has come in the wake of increasing awareness of all facets of society, which are interconnected and influence each other. Corporate Social Responsibility (CSR) is a manifestation of the effect a community can have on a company's existence and recognizes the positive role the company can play in fulfilling the needs and expectations of the community. Like most countries worldwide, majority of the companies in India now have designated teams and departments within the organizational structure to fulfil a company's CSR activities in order to ensure the development of the community, its people, its surroundings and the society as a whole. However, the success of any CSR activity of a company, will only stand to be validated with some form of auditing for the activities conducted by it.

The present paper focuses on various methodological issues in measuring CSR activities of a company. Given the multiplicity of organisations and their activities, it should be noted that no standard indices exist for measuring CSR and that these are difficult to define as different companies follow different CSR approaches. However, companies use indicators on the basis of determined indices like Community Satisfaction Index and Relative Performance Index. The present paper discusses the CSR activities of a Company X vis-a-vis other agencies working in the same area of its operation by adopting both, quantitative and qualitative approaches. In this context, the paper raises some methodological issues which arise in measuring performance of corporate social initiatives of a company and also lists some effective measures to overcome them.

Keywords CSR • Methodology • Community Satisfaction Index • Relative Performance Index

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1.1   Introduction

There is increased awareness of the various facets of society as well as their interconnectedness and the ability to influence each other. Corporations are social institutions and it is thus inevitable that their activities impact and are, in turn, impacted by society. According to Ramesh and Goel (2012), the community rightfully expects companies to help tackle social and environmental issues that affect it, since the latter can (and do) benefit from the resources that communities provide. Further, globalization of the economy and the emergence of a borderless environment have placed this phenomenon in sharper relief. This is exemplified by companies being subjected to increasing scrutiny and pressure from consumers' associations and political lobbies. Thus, state Ramesh and Goel, the main idea of CSR is to define a social contract to maximize the welfare of all stakeholders concerned. They also state that welfare maximization should be considered for both short term and long term in order to meet present expectations and needs without endangering the opportunities for and the resources of the future generations.

According to Rogovsky (2000), given the perception of roles played by businesses and society, social expectations of what businesses should be doing for the society increase. Johnson (1979) views business as a 'collective' embedded in a complex value-giving environment. It is this inter-connectivity of sectors and structures of value that one has to remember when approaching CSR. Hopkins (2003) believes that CSR is concerned with treating stakeholders of the firm ethically and in a responsible manner, that is, in a manner deemed acceptable in civilized societies. Social responsibility means economic and environmental responsibility. According to him, since stakeholders exist both within a firm and outside of it, the wider aim of social responsibility is to create higher and higher standards of living, for people both within and outside of it while, at the same time, preserving profitability of the corporation. Cramer et al. (2004) observed that companies need to define their own implementation process in accordance with their philosophy, strategy and business propositions and, at the same time, stay abreast of stakeholder needs. Perrini (2006) defines CSR as a concept meaning that, 'organizations should integrate economic, social and environmental concerns into their business strategies, management tools and activities going beyond compliance and investing more on human, social and environmental capital'. A company must be accountable for the impact of its actions on the environment, customers, workforce, society and on all other associates of the community area. Since this covers stakeholders across diverse levels of the value chain, determining the outcome of any CSR initiative on the society becomes indefinite. Chaudhary (2009) observed that consumers are often drawn to brands and companies with a good reputation in community development. A company that is considered socially responsible can benefit both, from its enhanced reputation with the public, as well as from within the business community, thereby increasing its ability to attract capital and trading partners.

1.2 CSR in India: An Overview

Today, CSR in India has moved beyond just 'contributions and aid' and is looked upon in a more structured manner. CSR is developing into an essential part of the corporate stratagem. Companies have dedicated teams that identify needs, and plan schemes and objectives for their CSR programs. These could range from overall community development to supporting specific causes like education, environment, healthcare, etc. For example, a company may provide basic health facilities, construct schools and houses, and help villagers become self-sufficient through education, vocational and business skills. Some programs for the development of farmers also exist, as also, for raising living standards of rural communities, harnessing micro-enterprises to increase penetration of consumer products in rural markets and using software as aids to teachers and pupils to help improve educational standards and promote adult literacy. However, a majority of the companies in India do not have well-defined CSR guidelines. Education, rural welfare and environment are the most common areas of CSR initiatives undertaken by companies. Governments in the West have stronger social security nets, based on which, they can expend on profits and paying taxes regularly.

However, India is still a far cry from such economic development. Here, the government is solely responsible for meeting the basic needs of its citizens. It lacks the necessary resources and infrastructure to provide citizens with social security, adequate health care, education services, etc. It thus becomes imperative for corporate houses to step in and respond to the needs of the people in all sections of society. A business cannot succeed without addressing the problems that exist in society. It has been observed that, over time, even the best managed corporations fade away if they do not engage meaningfully with the community.

In the present times, the primary purpose of CSR is to maximize a company's overall impact on the society and its stakeholders. According to 'CSR in India-Perspectives for Business' (2007), an increasing number of companies consider CSR as part of a wide-ranging set of strategies, practices and programs that are incorporated in company operations and processes. CSR is supported and rewarded by the top administration. There is also increasing acceptance that CSR is not just an additional cost to the bottom line; rather, it is vital for protecting the company's reputation and building a competitive edge. If it is incorporated in the overall business stratagem, CSR could also be protection from unexpected adverse business situations. Indian companies have demonstrated fairly rational reasons for taking up CSR initiatives and incorporating them in their processes. Over time, CSR has entrenched itself firmly in the business landscape. Companies have accepted that, in addition to expanding their businesses, it is also important to shape endurable contacts with society as a whole. Companies now have dedicated divisions and panels that develop elaborate guidelines, plans and targets for their CSR agendas and set up separate financial plans to sustain them. Most of the times, these initiatives are based on precise social values or are cautiously associated with the companies' core activities. According to Raghavan (2007), Argentina, Australia, Britain and Canada

are examples of countries which, in conjunction with business enterprises, valuate CSR based on agreed parameters, such as, corporate vision and mission, labor conditions, accountability and transparency, quality of stakeholder relations, accuracy, relevance and reliability of information, concern for environmental protection, product safety, and grievance redressal. CSR initiatives can also include funding of projects of vital social importance relating to, for instance, education, health, sanitation, disease prevention, basic amenities, etc. There is, as of now, no systematic effort to carry out such an evaluation in the Indian context for want of a CSR index that can be uniformly applicable.

A study by Karmayog[1] (2010), which focused on 500 large Indian companies, throws some light on the nature of CSR activities undertaken by them. The study enables an understanding of how various kinds of organizations (government-owned, privately run, multi-national corporations, etc) from different industry sectors are responding to global and local conditions that demand and need more responsible behavior from all stakeholders, especially the companies. This study, which started in 2007, has revealed that there has been greater awareness of and improvement in CSR practices in India; and that more and more companies are reporting on their CSR activities.

The Government of India has also started to frame voluntary CSR guidelines for companies. The study observed that over the last 4 years, the trend has been towards compartmentalizing CSR and turning it into a specialized activity. It was noticed that, CSR is being viewed as an intrinsic part of business, is reflected in all aspects of a company's processes such as Human Resources (HR), Corporate Governance, Management, Accounting, Research and Development (R&D), Advertising, etc. These aspects are taken into account in the rating process.

A comparison of the ratings over the last 4 years shows that while there has been a clear decline in the number of companies not taking up a CSR activity (level 0), the number of companies with a Level 4 or Level 3 rating, has remained constant. Though there is considerable focus on CSR and social audit of companies in the West, similar attempts in the Indian context have, at best, been negligible. Comprehensive studies to test the effectiveness of CSR activities are yet to be undertaken in India.

1.3   Auditing CSR

Social audit enables an organization to clarify its objectives, action plan and establish appropriate recording and accounting procedures for assessing the impact of its contribution in a particular field. It also helps to provide a periodic overview of how well an organization has addressed its core values and objectives; and with what effectiveness, efficiency and equity. Appropriate techniques, factors and indicators

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[1] An institution dedicated to analyzing social issues. In the context of the present study, Karmayog's objective of carrying out an annual CSR rating exercise is to present a common person's view and understanding of companies and their social behavior.

must be defined to enable the organization to assess its CSR, promote societal success and financial effectiveness of the programs; and to ensure their sustainability over the long-term. The indicators of socio-economic change and development can evolve only through participation in projects. It also stands to reason that these indicators must reflect the benefits that accrue to all the stakeholders involved in a given situation. At the same time, however, it is not easy to measure social impact in terms of a 'Return on Investment'. Also, the impact of corporate activity on society involves parties and interests that are often not merely economic, but also political. In addition, the presence of other corporates as competitive entities in the same community where a company is implementing its CSR activities also indicates the extent of satisfaction of the community with the company's activities. For example, a company, in the absence of other companies with CSR objectives, may enjoy a substantially elevated standing as compared to its activities in the same community in which along with other companies also have a stake with their CSR programs. Given these complexities, it is very important for companies to subject their activities to a comprehensive social audit by an external agency. Such an approach will help them overcome the challenges to effective implementation of their CSR programs. An effective CSR program can provide several benefits to a company—risk management, brand differentiation, enhanced legitimacy of the business from a societal perspective and the ability to recruit and retain human resources.

1.4   Measurability

Measurement metsrics for CSR are indefinable as different companies follow different CSR approaches. Therefore, no standard method exists to approximate the consequences of CSR on the community. There is no agreed measurement system for CSR, although companies use Key Performance Indicators (KPI)[2]. Global Reporting Initiative (GRI)[3] has also been active in this area but no single methodological framework exists, that has achieved widespread acceptance. With ratification of by the United Nations and the International Council for Local Environmental Initiatives, Triple Bottom Line (ICLEI TBL) standard for urban and community accounting in early 2007,this became the predominant approach to public sector full cost accounting. Similar UN standards apply to evaluate natural capital and human capital measurement to assist in the measurements required by the Triple Bottom Line approach, for example, the EcoBudget standard for reporting on ecological

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[2] Key Performance Indicator(KPI) is performance measurement which helps an organization to define and reach its goals. KPIs are commonly used by an organization to evaluate its success or the success of an activity it is engaged in.

[3] Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. It provides globally applicable standards one of the world's most prevalent standards for sustainability reporting—also known as ecological footprint reporting, environmental social governance (ESG) reporting, triple bottom line (TBL) reporting, and corporate social responsibility(CSR) reporting. (www.globalreporting.org).

footprints. In the private sector, a commitment to CSR implies a commitment to some form of Triple Bottom Line reporting. According to SustAinability[4], 'the Triple Bottom Line enjoins focuses corporations to not just focus on the economic value they add, but also on the environmental and social value they add and destroy'. Triple Bottom Line (TBL) takes in its fold three parameters to gauge business performance, viz., economic, environmental and social factors.

The present study, thus, focuses on the subject of how to measure CSR activities of a company on the basis of determined indices like Community Satisfaction Index and Relative Performance Index. These indices which were established by the Tata Institute of Social Sciences (TISS), Mumbai for auditing the CSR activities of a major power utility company (Siva Raju and Beck 2010/2011). The company will be referred to as Company X in order to keep its identity confidential. In order to have a direct measure of the efforts invested for its various CSR activities, Company X realized the need to conduct surveys in its areas of operation and measure Community Satisfaction.

1.5   Company X and Its CSR Activities

Company X is one of India's largest private sector power utility. Over the past several years, the company has undertaken several initiatives to ensure holistic development of communities in its areas of operation. Its CSR includes activities to add economic value, build social capital and harmonize environmental factors within the communities it interacts with. In order to institutionalize its efforts, collaborate with external organizations and to streamline its CSR activities, Company X has established its own community development trust. Impact Assessment Surveys are regularly carried out by the company for obtaining feedback from the communities in its operational areas. Company X's CSR follows the Triple Bottom Line Approach to ensure that its community activities carried out in the community are sustainable in nature. Hence, the three pillars of Company X's CSR philosophy are as follows:

1.5.1   Adding Economic Values

This includes promoting activities that lead to generation of income and restoration of the livelihood of community members.

1.5.2   Harmonizing Environmental Factors

This includes promoting activities that nurture the spirit of energy management and environment conservation.

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[4] www.sustainability.com.

1.5.3   Building Social Capital in the Community

This includes promoting community development through improvement in rural and urban infrastructure, health check-ups and education for community members.

Each of the above mentioned activities are conducted by teams of dedicated CSR members as well as by volunteers from Company X and the community.

1.6   Methodology

Both quantitative and qualitative approaches were used in the study for the social audit of Company X's CSR activities. This community-based study adopted a comprehensive methodology by using, as various tools for data collection—like, interview schedules, field observations, meetings and group observations were used. As the study was an attempted to understand issues from the community point of view, the activities of Company X and other agencies were assessed on the basis of the views expressed by the community members only. It is possible that some of the activities carried out by these agencies will not be might have not been reflected in the feedback if the community members did had not perceive its any benefits resulting from them., especially from the family and community point of view. Sample households (in the ratio of 1:5) were chosen from each village were chosen in each village of the selected plant areas by using systematic random sampling method. Focus group discussions among the community members were also conducted for obtaining in-depth information about community needs, satisfaction levels of satisfaction of the members towards over the implementation of various programmes and schemes implemented by government and non-governmental agencies in the community. Special efforts were also made to obtain feedback from the community members on the CSR activities that were carried out by various agencies, including Company X. for obtaining the required information related to the socio-economic profile of the areas covered by the study areas, obtained from the ongoing developmental programmes and schemes and its coverage. Secondary sources of information included sources like block development offices, aanganwadi centre staff, primary health centre staff and representatives of local NGOs. The project staff also paid regular visits to project locations were made by the project staff to take monitor note of the ongoing work or assess recently completed CSR activities. The Interview schedules for community members were developed exclusively for the studies conducted in 2010 and 2011 and bearing in mind the listed objectives.

1.7   Understanding the Indices

The collected data thus collected was analyzed using the Statistical Package for Social Sciences (SPSS) software. Besides understanding the impact created by Company interventions in the selected communities, an attempt was also made to bring out

suitable indices to measure village development outcomes; index and community satisfaction towards Company interventions. To arrive at preparing such indices, indicators like, personal characteristics of community residents, community attributes, employment opportunities and community services were also considered and Composite indices were prepared wherever necessary. The indices have thrown light on the extent and effectiveness of company interventions. It is expected that, over a period of time, the assessment of these indices will reveal trends in the quality of life of the community members. Test was attempted to understand the significance difference between mean values of Community Satisfaction index and Relative Performance index across different plants and also the thrust areas within plants.

1.7.1   Community Satisfaction Index (CSI)

The major objective of indexing community satisfaction is to determine the satisfaction level of the community towards the services rendered by Company X under its CSR initiatives. Such an index is expected to provide information related to needs of the community and its expectations from the company in fulfilling those needs. It is also expected that, such an objective scientific analysis will help in minimizing the gap between the expectations of the community and the measures taken by the company for fulfilling them. The head of the sampled households, in each of the selected plants, was asked to rate various needs on a 10-point scale. The ratings are then used to calculate the CSI. For Company X, the CSI was measured with respect to six thrust areas viz., energy, health, education, infrastructure, income generation and environment. The need and satisfaction scores for each service depend on individual perception. Therefore, to minimize the response bias, the average of the score given by the community members to a specific service was considered while calculating need and satisfaction index for that specific service in each given village.

   The graphical presentation of indices related to community needs and satisfaction with the the implementation of the program by the company is expected to help the management refine CSR policy objectives and actions in the thrust areas. This is a more objective way to monitor and decide upon alternative strategies that need to be considered in order to improve upon the satisfaction levels of the beneficiaries. It is also expected that guidelines will be provided for the formulation of new strategies. The average of the indices of both the community need and their level of satisfaction for each thrust area is plotted on a scatter graph. While the average need score is presented on the X-axis, the average performance score is presented on the Y-axis.

   Using the Traffic Signal analogy (see Table 1.1), the Scatter Plot presents areas in which the agency could meet the expectation of the community and where there is scope for improvement.

   Community Satisfaction Index (CSI) is a measure used to assess how respondents' expectations of various services have been met through Company X's interventions. Satisfaction itself is a subjective expression and a relative term. It highly

Table 1.1 Scatter plot analyzing community needs and agency performance

	High Need, High performance	*Good performance*
	High Need, Low performance	*Under performance*
	Low Need, High performance	*Over spending*
	Low Need, Low performance	*No change is necessary*

depends on perceptions of how the priorities were addressed by a service. While calculating the Community Satisfaction Index (CSI), community satisfaction with various services has been weighted by their relative need. Thus, CSI is calculated by means of the performance scores, as expressed by community members and weighted on the basis of the related need scores. The CSI score is brought to a 100 % scale for its easy understanding and comparability across plants and thrust areas. Thus, the formula adopted to measure CSI is:

$$CSI = \sum_{k=1}^{6} (\overline{S_k} \cdot W_k)$$

where,

$\overline{S_k}$ is the mean of the performance score expressed by the community members on the service quality of kth attribute.

W_K (relative need score) is a weight for the kth attribute, which is calculated on the basis of the need scores, as expressed by the beneficiaries for the kth attribute and the average need score for all the six attributes. Specifically, it is the ratio between the need scores of kth attribute and the mean need scores of all six thrust areas.

1.7.2 Relative Performance Index (RPI)

With corporate actions acquiring increased visibility, of corporate actions, community perceptions and, of communities towards companies and their consequently, satisfaction levels are also changing rapidly. In this scenario, CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns (Pohle and Hittner 2008). In addition, given the increasing number of companies working in the same areas of CSR in communities, companies are finding it increasingly desirable to measure their performance vis-a-vis other agencies working in the same community.

In view of this therefore, an attempt was made to understand the satisfaction level of the community with the work done by Company X vis-a-vis other agencies working in the same area with similar CSR activities. This was done by measuring

the ratio between the corresponding performance score of the agency and the highest performance score. The average of such ratios gave the relative performance level of the work done in the community by different agencies. The formula used to calculate the Relative Performance Index (RPI) is:

$$SL_T = \sum_{k=1}^{6} \frac{H_k}{T_k}$$

where,

SL_T is the Relative Performance Index from Company X;
H_k is the highest performance score for the kth attribute among various agencies and;
T_k is the performance score for the kth attribute by Company X.

Similarly, the Relative Performance Index (RPI) for other agencies was worked out.

1.8   Major Findings

The guiding principle of Company X is to ensure sustainable development in the community in all areas which were impacted by its operations. It worked incessantly in its endeavor to add economic value, build social capital and harmonize environmental factors in the communities it interacted with. The thrust areas of Company X viz., energy, health, education, infrastructure, income generation and environment were found to have close linkages with each other, as they were all the indispensable quality-of-life components.

It should be noted here that the nature of interrelationships between environmental and the various aspects of quality of life were complex; and hence, the impact of various interventions differed significantly across plant areas. In view of this, the interventions of Company X into improving the quality of life of the people of its plant areas were analyzed from the above mentioned perspectives. Plant A of Company X implemented its CSR activities programs in the remote, rural locations. Hence, it was important to determine attitude and awareness levels of the community about various development activities which were initiated by Company X, both at individual and community levels. The objective approach and methods used to assess the awareness and attitude levels of individuals, community and regions on the whole revealed several significant gaps between development objectives and their achievement.

1.8.1   Community Needs

The needs of the community, as mentioned earlier, were assessed under broad thrust areas viz., education, health, employment, energy, environment and social development. The heads of the sampled households, in each of the selected plants, was

Table 1.2 Priority-wise distribution of community by thrust areas[a]

Community Needs	Plant A
Education	4
Health	2
Employment	1
Infrastructure	3
Energy	5
Environment	6
Social Development	7

[a] Note: Priorities are ranked 1 (highest)=First priority; Rank 7 (=Last priority); Ranks 2–6 occupy middle positions

asked to rate the various needs on a 10-point scale. These rating scores for each thrust area were then summed up and averaged. The given averages where then ranked according to significance, that is, a higher average intended showed greater need as expressed by the community members through perspective.

As presented in Table 1.2, employment, followed by health and infrastructure emerged as the top three priority needs of the communities served in Plant A. Considering that employment has emerged as first priority and education is ranked as the fourth need, these two needs together reflect an increase in the educational levels of the community members and the resulting demand for employment opportunities among them.

1.8.2   Community Satisfaction Index (CSI) of Company X

As seen in Table 1.3, the CSI of Company X in the different thrust areas along with the overall satisfaction level. Company X's performance was noted to be good in the areas of health, education and infrastructure. Even the community satisfaction index for these three corresponding areas was good. The performance of Company X in the other thrust areas of energy, income generation and environment was observed to be about average. The total overall need and performance score of all the thrust areas together was recorded at 66.77% and the total performance score of Company X was 64.67%. This is considered to be a comparatively good score. The overall community satisfaction index was calculated at 64.81% (Fig. 1.1).

As presented in Fig. 1.2, Company X demonstrated high performance levels for the highest level of needs in the thrust areas of income generation, infrastructure, health and education. In the thrust area of energy, community need (high) was not matched by company performance (low). Environment was ranked low in community needs and was matched by 'low' performance.

The need score and performance score of Company X in the various thrust areas is represented by Fig. 1.3. Also shown is the overall community satisfaction index achieved by Company X across all the thrust areas. The CSI for Company X stood at 64.8%.

Table 1.3 Community needs versus Company X performance and CSI scores and CSI for plant A

Thrust Areas	Need score	Performance score	CSI
Energy	61.76	57.61	53.30
Health	72.61	67.24	73.08
Education	66.49	67.90	67.62
Infrastructure	72.50	68.82	74.71
Income generation	73.21	61.93	67.87
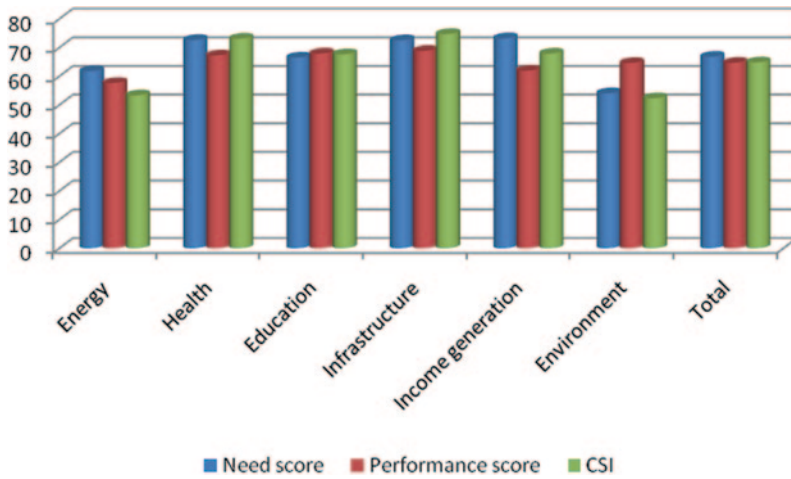
Fig. 1.1 Community needs, Company X performance scores and CSI for Plant A
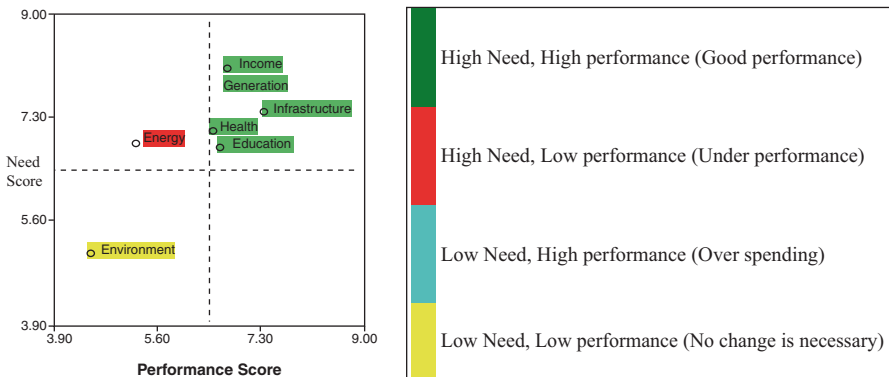
Fig. 1.2 Scatter plot analyzing community needs and performance of Company X

Figure 1.4 shows the need and performance scores of the government and other agencies in the same thrust areas that Company X is involved in. The overall Community Satisfaction Index achieved by them was 56.6 %. In comparison, Company
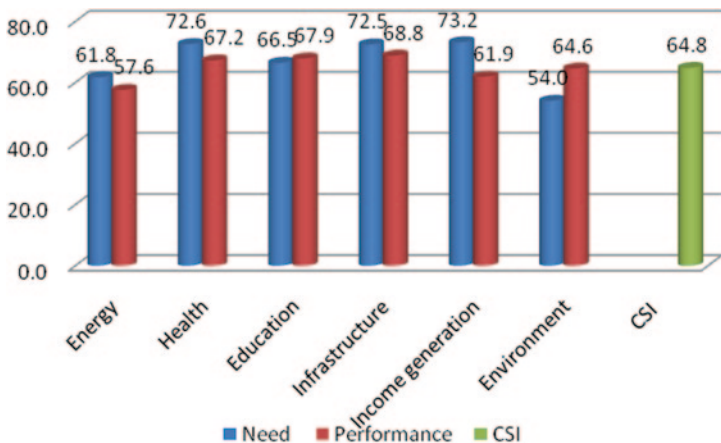
Fig. 1.3 Community needs (across thrust areas), performance of Company X and Community Satisfaction Index (CSI)
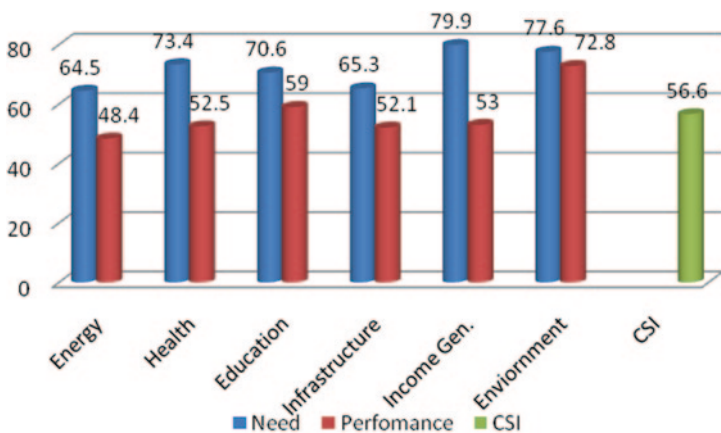
Fig. 1.4 Community needs (across Thrust Areas), performance of government and all other agencies Community Satisfaction Index (CSI)

X achieved a score of 64.8 % (Fig. 1.3), which indicates that it met with better success in the implementation of its CSR programs.

1.8.3   Relative Performance Index of Company X and all other agencies

Details of the performance score of Company X and the other agencies in each of the thrust areas is seen in Table 1.4. Figures 1.3 and 1.4 present a comparison of performance scores achieved by Company X and other agencies. It can be seen that Company X achieved a higher performance score in all the thrust areas except en-

Table 1.4 Performance scores of Company X and all other agencies (including government) across thrust areas

Thrust areas	Performance Scores		Highest Performance	Relative Performance		CSI	
	Company X	Other agencies		Company X	Other agencies	Company X	Other agencies
Energy	57.6	48.4	57.6	1.0	0.8		
Health	67.2	52.5	67.2	1.0	0.8		
Education	67.9	59.0	67.9	1.0	0.8		
Infrastructure	68.8	52.1	68.8	1.0	0.7		
Income Generation	*61.9*	*53.0*	*61.9*	*1.0*	*0.8*		
Environment	64.6	72.8	72.8	0.9	1.0		
[a]*CSI*						64.8	57.4
Relative performance Index (RPI)				*0.98*	*0.81*		

[a] Note: CSI is not computed for each thrust areas, as it is the weighted average of the performance scores

vironment in comparison to the other agencies. However, environment was the only area where the performance score of the other agencies was observed to be higher. The comparative data leads to the calculation of Relative Performance Index (RPI) for each thrust area. The RPI for Company X was higher in most of the thrust areas except environment where the other agencies showed a RPI of 1.0 in comparison to Company X's RPI of 0.9

The data was then used to calculate the overall RPI of Company X and of the other agencies for all the thrust areas. The overall RPI for Company X was calculated to be 0.98 which is is higher than the 0.81 RPI recorded for the other agencies.

The performance scores of Company X and the other agencies across all thrust areas are shown in Fig. 1.5. The performance of the other agencies was observed to be prominently better than that of Company X only in the area of 'environment'. In all the other thrust areas—of health, energy, income generation, infrastructure and education, the performance of Company X outperformed that of the other agencies.

1.8.4 RPI and CSI: A Comparison

a. Comparison of Performance Scores of Company X and Other Agencies in 2011 (Table 1.5)

The Performance Scores of Company X were observed to be better than that of other agencies in 2011 except for under 'environment'. In all of the other thrust areas, except environment, the differences in performance scores were statistically
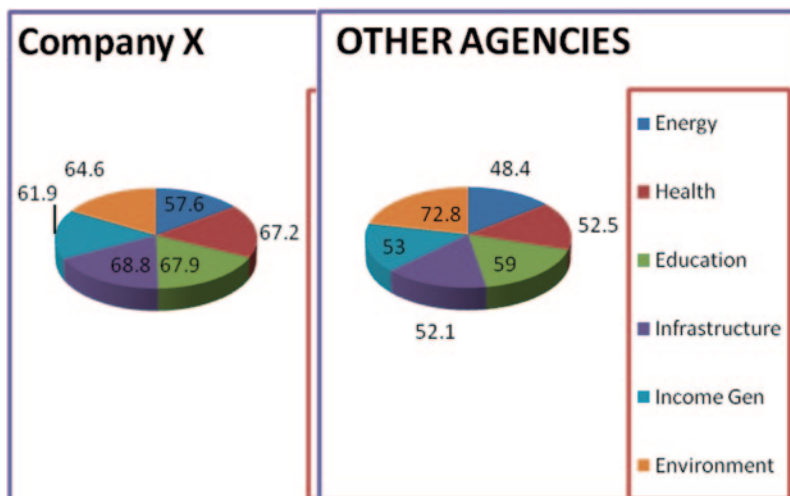
Fig. 1.5 Comparison of performance of Company X and Other Agencies (including Government), across Thrust Areas

Table 1.5 Performance scores of Company X and other agencies (in 2011)

Thrust Areas	Company X	Other Agencies	Difference	Test of Significance
Energy	57.6	48.4	+9.2	a
Health	67.2	52.5	+14.7	b
Education	67.9	59.0	+8.9	a
Infrastructure	68.8	52.1	+16.7	b
Income Generation	61.9	53.0	+8.9	a
Environment	64.6	72.8	−8.2	NS

Note: *NS* Not Significant
[a] −Significant at 1% level
[b] −Significant at 5% level

significant. For thrust areas like 'health' and 'infrastructure', the positive difference was significant even at 5% level.

b. Comparison of Performance Scores of Company X in 2010 and 2011 (Table 1.6)

Performance Scores of Company X improved in the areas of energy, education and environment from 2010 to 2011. However, in most cases, the differences were not statistically significant. In the case of 'environment', the positive difference was significant at 5% level and in case of 'income generation', the negative difference was significant at 5% level.

c. CSI of Company X and Other Agencies in 2010 and 2011 (Table 1.7)

CSI of Company X was found to be better than that of other agencies in 2010 and 2011 and, and also significant (at 5% level). However, the extent of positive difference for Company X was reduced from 2010 (31.3% points) in 2010 to 2011

Table 1.6 Performance scores of Company X and all other agencies in 2010 and 2011

Thrust Areas	Company X 2010	Company X 2011	Difference	Test of Significance
Energy	58.3	57.6	+0.7	NS
Health	73.5	67.2	−6.3	NS
Education	67.4	67.9	+0.5	NS
Infrastructure	78.1	68.8	−9.3	NS
Income Generation	79.0	61.9	−17.1	[a]
Environment	44.5	64.6	+20.1	[a]

NS Not significant
[a] −Significant at 5 % level

Table 1.7 CSI of Company X and other agencies in 2010 and 2011

Company X 2010	Other Agencies 2010	Difference	Test of Significance	Company X 2011	Other Agencies 2011	Difference	Test of Significance
68.1	36.8	+31.3	[a]	64.8	57.4	+7.4	[a]

(7.4 % points) in 2011. The CSI for Company X declined reduced from 68.1 % points in 2010 to 64.8 % points in 2011, 1 which is a difference of 3.3 % points. By contrast, CSI of other agencies has improved from 2010 to 2011 by 20.6 % points from 2010 to 2011 and the difference is statistically significant at 5 % level.

1.9   Conclusion

CSR is not just about environmental conservation or having recycling guidelines. It is seen as an essential component of a company's business processes about considering the whole representation of the company, from indigenous processes to consumers, taking in every step that a business takes during its day-to-day operations that constantly engage with all its stakeholders. Rising economies, such as India, are also witnessing an increase in the number of observed companies that are seriously committed to CSR activities. Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. These organizations recognize that, besides growing their businesses, it is also important to project an image of a company that is responsible and supportive of its relationships with the community at large. Thus, companies have specific departments and teams that fulfill specific tasks such as defining and implementing CSR policies, strategies, and goals and action plans. for their CSR programs and set separate budgets to support them. Most CSR activities have separate budgetary allocations and most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' core business domain.[5] According to CSR

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[5] Corporate Social Responsibility in India- www.india-briefing.com (2012).

Network, measurement of the CSR activity of a company can be successful only if they define concrete performance targets to achieve a meaningful assessment of a plethora of the company's CSR initiatives and observe whether these targets are being met. Literally hundreds of principles and guidelines are available for measuring CSR activities and more are being developed everyday which are available to companies. It is essential that companies choose the guidelines and standards that best reflect their business, culture and stakeholder needs and that also provide relevant information that helps the company find 'meaning' in the its measurement results. Standardized indicators cannot provide all the answers, due to differences within organizations. Core indicators can provide comparability; however, companies also need to develop their own indicators to reflect the specific needs of their business. When benchmarking must be used with caution, it is very hard to show cross-sector or cross-industry comparability amongst companies across industries—since companies, even within the industry or sector, may have different motivations, organization structure, address different market segments and have different markets, stakeholders needs, use different standards, measurement tools, guidelines and reporting frameworks and have different business cultures.

Companies need to increase their focus on what the performance data is actually saying; and articulating its meaning rather than simply recording facts. Standards, guidelines and measurement management systems all need to remain mindful of the balance between what can be standardized and what must remain flexible. As recognition of the scope and objectives of CSR become more ambitious, country-wide both local and global players will be in seeking to manage the control of commercially funded ventures in community welfare projects. As a result, new measurement indices being created may represent merely the beginning of a new wave of development in the realm of CSR.

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Chapter 2
Implementing Corporate Social Responsibility in India: Issues and the Beyond

Ananda Das Gupta

Abstract Corporate Social Responsibility involves the efforts business organizations undertake to meet their responsibilities both as economic and social agents. Businesses become aware of their social responsibilities through pressure exerted by their stakeholders. Customers, for example, expect businesses to supply reliable and safe products at a fair price. Stockholders demand that corporate operations be managed efficiently and that dividends or improved market value reward their investments. Some insights from the Indian arena have been put forward to envisage the basic essence of Corporate Social responsibility being manifested at the corporate level through their initiatives in this direction.

Keywords CSR · Stockholder · CSR in India · Responsible business

2.1 Introduction

In this age of globalization, Corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. In the last 20 years, multinational corporations (MNCs) have played an influential role in defining markets and consumer behavior. The rules of corporate governance have also changed. Reactions to this change have been varied. On the one hand, globalization and liberalization have provided a great opportunity for corporations to become globally competitive by expanding the production base and market share. On the other hand, the conditions that favored their growth also placed these companies in an unfavorable light.

Laborers, marginalized consumers, environmental and social activists protested against the unprecedented (and undesirable) predominance of multinational corporations. The revolution in communication technology and the effectiveness of knowledge- based economics threw up a new model of business and corporate governance. Growing awareness of the need for ecological sustainability paved the way for a new generation of business leaders concerned about the community response and environmental sustainability. Corporate Social Responsibility (CSR) is,

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essentially a new business strategy to reduce investment risks and maximize profits by taking all the key stake- holders into confidence.

The new generation of corporations and the new-economy entrepreneurs recognize the fact that social and environmental stability are two important prerequisites for the long-term sustainability of their markets. From the eco- social perspective, corporate social responsibility is both a value and a strategy to ensure the sustainability of business. For the new generation of corporate leaders, optimization of profit is the key, is more important than its maximization. Hence there is a noticeable shift from accountability to shareholders to accountability to all stakeholders for the long-term success and sustainability of the business. Stakeholders include consumers, employees, affected communities and shareholders, all of whom have the right to know about the corporations and their business. This raises the important issue of transparency in the organization.

2.2   Concepts

The concepts of modern Corporate Social Responsibility evolved only recently. However, the idea has a long history. In both the East and West, it was called social philanthropy. Depending on its nature and context, it was divided into three broad areas. Traditionally, corporate philanthropy aimed at the welfare of the immediate members of the enterprise like staff and employees and their families. This was usually in the form of contributions by visionary business leaders to the establishment of trusts that promoted education, women's welfare, medical care and so on. Corporate Social Responsibility is a qualitatively different from the concept of the traditional concepts of corporate philanthropy. It acknowledges the corporation's debt that the corporation owes to the community within which it operates. It regards the community as an equal stakeholder. It also defines the business corporation's partnership with social action groups in providing financial and other resources to support development plans, especially among disadvantaged communities.

In the emerging perspective CSR enjoins upon corporations to analyze profits in conjunction with social prosperity. Corporate gives stress on them as the stakeholders, in a business are not just the shareholders, sustainable development and economic sustainability, corporate profits to be analyzed in conjunction with social prosperity. Thus, ethical business is more a fundamental need, emerging trend on the international scene. In an ethical business, the main thrust is on social values and business is conducted in consonance with broader social values and the stakeholders' long-term interest. This thinking is the trend internationally.

2.3   Recent Trends

Today, CSR is on the agenda of many CEO. Now it is also being considered seriously by on the agenda of governments (national and local), both national and local as well as NGOs', consumer groups, investors and other actors in civil society (Das

Gupta and Das Gupta 2005). Business organizations across the world are realizing the benefits of adopting socially responsible behavior. If a company engages with its stakeholders effectively, it can enjoy a strong and enduring reputation in the market and community. This idea still needs to be understood and implemented in a better manner by the business sector in India. CSR experts blame the lack of trained personnel, non-availability of accurate information and lack of understanding of the necessity, objectives and the benefits for the slow acceptance of CSR in the country. But the present condition seems to be changing as many companies are making the efforts take their CSR beyond 'planting trees or giving away to charity for the needy'. The trend is to move away from just doing a 'social good' to viewing CSR as a business necessity. The corporate social responsibility trend in India is also undergoing change. As more and more companies realize the importance of addressing social and environmental concerns along with transparent stakeholder engagement, CSR will receive the importance it deserves (ArticleSnatch.com, undated).

CSR is not a new concept in India. Corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Several other organizations have been doing their part for society through donations and charity events. Today, CSR in India has gone beyond merely 'charity and donations'; and is approached in a more organized fashion. It has become an integral part of the corporate strategy (Das Gupta 2010).

Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and make budgetary provisions to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' core business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporations have clearly demonstrated their ability to make a significant difference in society and improve the overall quality of life. In India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporations have the expertise, strategic thinking capabilities, manpower and money financial resources to facilitate extensive social change. Effective partnerships between businesses, NGOs and the government will place India's social development on a faster track (Chillibreeze.com, undated). A common perception about CSR is that its starts and ends with community service and that, if a business undertakes community development works, its responsibility CSR obligations are fully met. This is a wrong interpretation of the CSR. CSR encompasses the entire gamut of activities that are involved in the management of a business. Starting from stakeholder engagement and management, it covers relationships with the supply chain, consumer and customer relations, labour relations, corporate governance, Human Resources (HR), environment, etc (Pramar 2012).

All activities under CSR should rightly be handled by the business and its employees, with or without a partnership with civil society organizations. Handing over its responsibilities, even partially, to the government or bureaucracy would weaken the CSR Agenda and deny the company its rightful standing among the

stakeholders. When government enters the picture, the company would have to shed its responsibility for the programme.

2.4 Government Initiatives

Community Investment is an integral part of the overall CSR concept. Expending money and resources without proper planning and implementation is not what CSR is all about. A company traversing on the CSR path must pass several stages of planning. It is only after it has got all the program details in place can the company begin the actual implementation of the programme (Parmar, undated). The government is in the process of replacing the half-a-century old Companies Act 1954, with a new law. The Companies Bill 2009, is expected to be taken up for consideration and is likely to be passed in the monsoon session of Parliament which begins on August 1. By being made applicable only to the organized sector, mandatory CSR would apply to about 300,000 enterprises or about 0.7 %of the approximately 42 million production entities, enumerated in the latest Census.

There are several concerns with the introduction of mandatory CSR. One of the biggest concerns is the anticipated rise in '*greenwashing*'. The second concern is the creation of a monitoring body to oversee the implementation of mandatory CSR. The third issue is that the bill covers a very small section of the private sector. This group services the export market which operates on very thin margins. The 2 % of turnover that they will require to spend on CSR will seriously affect their already stressed margins. There are compelling arguments, therefore, that the imposition of mandatory CSR might lead to a decline in private industries enterprises. The small and medium scale sectors would be severely affected in such a scenario (Khurana 2011).

Imposing CSR on publicly listed companies like all central and state government enterprises, large domestic private enterprises and multinationals (that, perhaps, already have CSR programs) will make monitoring easier than if it is made mandatory for the entire private sector. As matters stand today, the Corporate Affairs Ministry does not seem to have a clear idea on how it proposes to monitor mandatory CSR; and to ensure that there is a level playing field for SMEs (Vijayaraghavan 2011).

The Government of India initiated Corporate Responsibility for Environmental Protection (CREP) initiated by the Indian government recently in 2003, set guidelines of non-mandatory norms for 17 polluting industries. However, there is no real pressure for its implementation. An ethical being who claims to respect the earth cannot have practices that are inconsistent with his/her claims. Ethical practices have to be placed in an integrity framework, and that implies, at the very least, a lack of multiple ways of being (Parmar, undated). Besides individual efforts in all the countries, some internationally acceptable CSR standards and guidelines have also been defined. These international CSR standards and guidelines include the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, UN Global Compact and The Universal Declaration of Human Rights (The Times of India 2011).

One feature of the proposed Companies Act while mandating CSR is that the Government had decided it will not police and monitor the implementation. Instead, it will leave it to the companies to implement what is mandated by the law. In case a company fails to meet the prescribed spend, it will have to report and explain the reasons to its shareholders. The CSR spending in the proposed new Companies Act would be in addition to what is being prescribed for companies in the mining or the coal sector. For example, in case of Posco, the environment ministry has asked the Korean company to spend 2 %of its annual profit on CSR. The proposal for mandating a CSR spend was first discussed by the corporate affairs ministry around two years ago, but it was reduced to a voluntary exercise in the face of opposition by companies. But, armed with demands and support from parliamentarians, the ministry is now set to implement its plan (Sefi.co, undated).

2.5 Corporate Initiatives

In order to leverage its CSR initiatives and make the strategy sustainable, an organization must possess a high level of advanced capability of organizational learning and sustainable innovation to learn and innovate on a sustainable basis. These are critically important attributes which are critical for building sustainable business models that will result in future sustained competitive advantage. CSR initiatives are implemented by companies, usually in partnership with Non-governmental organizations (NGOs) who are experienced in working with the local communities and are knowledgeable about local conditions and are experts in tackling specific social issues specific to the area. From responsive activities to sustainable initiatives, corporations have clearly demonstrated their ability to make a significant difference in the society and improve the overall quality of life. In the present social context, change is required at an enormous scale. Corporations can apply their expertise, strategic thinking abilities and manpower and money material resources to facilitate extensive social change.

Organizations like Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, focus holistic development in the villages they have adopted. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills. On the other hand, GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-ups and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations whose work that work towards improving health and education in under-served communities.

Many CSR initiatives are executed by companies in partnership with Non-governmental organizations (NGOs) who, as mentioned earlier, have both the knowledge and experience of local conditions. They are well versed in working with the local communities and are experts in tackling specific social problems. For

example, SAP India, in partnership with Hope Foundation, (an NGO that works for the betterment of India's poor and the needy) throughout India, has been working on initiatives for short and long-term rehabilitation of the tsunami victims. Together, they also started *The SAP Labs Center of HOPE* in Bangalore, is a home for street children, which provides food, clothing, shelter, medical care and education.

Given its potential, and the examples of successes, CSR should ideally be a voluntary initiative. But, often, it should be the efforts of the company itself so that it can serve its customers well. But the businesses are so focused on maximizing profits and minimizing costs world today as we know is concerned only about one thing- money making. Companies do not want to spend in areas they think are useless. Thus, the only option that seems to be available tends to make CSR more broadbased. This way the society at large is at stake. Therefore, in order to protect the society and to encourage companies and businesses to take up CSR the only way left is to make laws which would to make it mandatory by law. Many countries are coming around to this view point.

Suitable laws making CSR a compulsory part of corporate activity are being enacted or under serious discussion in many countries. This method has of late has become prevalent in almost all the countries. Every country is slowly becoming aware of the need to enforce CSR to the companies. Therefore, laws regarding implementation of CSR are in process in every country. Denmark made a law on CSR on 16 December 2008. The Danish parliament adopted a bill making it mandatory for the largest Danish companies, investors and state owned companies to include information on corporate social responsibility (CSR) in their annual financial reports.

2.6 Challenges to CSR Initiatives in India

CSR initiatives face many challenges in India and are often seen as deterrent to even the best-intentioned plans. The most important ones are described here.

2.6.1 Lack of Community Participation in CSR Activities

Often, the communities who are the intended beneficiaries of a CSR program show less interest which will affect their participation and contribution. Also, very little efforts are being made to spread CSR within the local communities and instill confidence in the people. The situation is further aggravated by inadequate communication between the organization and the community at the grassroots level.

2.6.2 Need to Build Local Capacities

There is a need to build the capacities of the local non-governmental organizations. Many NGOs are not adequately trained and equipped to operate efficiently and effectively as there is serious dearth of trained and efficient organizations that can

effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises efforts to scale CSR initiatives and consequently limits the scope and outcome of a company's CSR initiatives.

2.6.3 Issues of Transparency

Lack of transparency is one of the key issues. There is a perception that partner NGOs or local implementation agencies do not share adequate information and make efforts to disclose information on their programs, address concerns, assess impacts and utilize funds. This perceived lack of transparency has a negative impact on the the process of trust building between companies and local communities, which is key to the success of any CSR initiative.

2.6.4 Lack of Consensus

There is a lack of consensus amongst local agencies regarding CSR project needs and priorities. This results in lack of consensus often results in duplication of activities by corporate houses in their areas of their intervention. The consequence results in unhealthy competitiveness spirit among local implementing agencies, which goes against the necessity to have rather than building collaborative approaches on important issues. This factor limits organization's abilities to undertake impact assessment of their initiatives from time to time.

2.7 Linkages Between "Business" and "Society"

The linkages, relationships and interface between "Business" and "Society" have existed since the beginning of civilization. are from their inception, however, over the years, they have undergone spectacular changes. The survival and effectiveness of any organizational entity depends on the quality of support it receives from its stakeholders. This includes the society at large. Till recently, however, in the interface between "society" and "business" Corporate Social Responsibility (CSR) was manifested as "philanthropy". With successive changes in the business and societal environments; and a better understanding among the stakeholders, 'philanthropy' has evolved into more of "business strategy".

The Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force, their families as well as of the local community and society at large. Businesses need a stable social environment that provides a predictable climate for investment and trade. Understanding society's expectation is, quite simply, enlightened self- interest for business in today's interdependent world. The CSR, therefore, will be centered on (a) fair and equitable

treatment of employees (b) ethical operations and maintaining integrity, (c) respect for basic human values, (d) sustaining the environment for future generations and (e) being a caring neighbor in their communities.

Globalization has brought in along with changed norms for production, labor and treating the environment, which are influenced by 'with conditions of best practices' worldwide. These norms are often outside the letter of the law. The success of the acceptance of these norms has been outside the letter of law and the adoption has often influenced the state to adopt better/improved or, at least, a changed role for itself. To give an example, the norms of for resettlement and rehabilitation (of Projected Affected Persons) as have been laid down as law. These norms must be fulfilled by companies involved in extractive industries, yet there are many other activities that these companies are involved in beyond the law's mandate, but these companies have voluntarily accepted as their corporate social responsibility.

The growth of civil society organizations has also led to increasing democratization among marginalized and impoverished communities. This created local responses to the grand meta narratives. However, it is imperative that the nation- state needs to evolves a new role for itself in this fast changing world. A stable nation providing good governance is thus a basic requirement for developing countries in their endeavor to safeguard the rights and interests of their poor and marginalized.

2.8   Key Learning Issues

Corporate Competitiveness, as addressed by strategic management, is a subject rarely discussed in the context of corporate responsibility. However, unless all strands of corporate responsibility are brought together under a common management framework, CSR and its sustainability will remain a peripheral activity and its impact is likely to remain well below required levels to achieve the Millennium and related goals. Corporate Governance must establish the legal framework which will protect a company's stakeholders, the relative emphasis being dependent on national models.

CSR is aimed at extending the legal requirements to promote ethical practice, philanthropy and social reporting to satisfy stakeholder concerns. Corporate sustainability must focus on the long-term economic and social stakeholder expectations both by optimizing their sustainability performance and by participating in networks with governments, NGOs and other stakeholders. Such an arrangement will significantly enhance the capacities of all stakeholders and lead to faster and more sustainable development.

Business ethics and social accountability are important bridges between CSR and corporate governance. Investor demands, and specifically SRI, philanthropy and corporate citizenship provide a common ground for CSR and corporate sustainability. Performance stability and fair globalization are important aspects both in strategic management and corporate sustainability. Competition policy and regulation affects strategic management and corporate governance; but it also has

implications for business ethics and CSR. Downstream, risk management is also key issue for strategic management and governance strategy. Specifically, a company must adequately safeguard against and specifically in terms of reputation risks to its reputation.

The Parameters for CSR Initiatives are

2.8.1   Civil Society Strengthening

Capacity for strong performance in the community is the foundation for lasting social benefits. Worldwide, civil society is an important social and economic force with the potential to create a more free, fair and just global order. The collective nature of civic action helps to ensure that the interests of all citizens—including women, the poor and other marginalized groups—are adequately weighed by public institutions that make policy and allocate resources. Many civil society organizations (CSOs) face common challenges that limit their effectiveness namely, the ability to manage human and financial resources, weak advocacy abilities, and insufficient management ability to scale up promising innovations and results to achieve wider impact.

2.8.2   Performance Management

It is necessary to measure the outcomes to distinguish success from failure. Thus, managing for results is central to the global revolution in public management and aid effectiveness. Strong performance monitoring systems help to sharpen strategy and learning, improve communications with stakeholders, help ensure that resources are focused on key results, and promote accountability. Yet these systems are often impractical and out of alignment with organizational skills and incentives. Thus, the focus areas for performance management are:

- An acceptable Performance Management Systems designed for a given project, which will identify key result areas, monitor implementing performance management systems for specific projects and programs to reinforce program performance, learning and accountability, encourage learning, and enforce accountability and objectively measure outcomes.
- Building Capacity for Performance Management: All stakeholders must be enabled and their capacities enhanced—at both organizational and individual levels, to meet the goals of the CSR initiative—building performance management capacity for entire organizations, including international donors and local partners such as governments and civil society organizations.

2.8.3 Programme Evaluation

Program Evaluation provides the platform for learning, accountability and focusing strategy. Program evaluation is central to organizational learning, performance improvement and accountability. Through program evaluation it is possible to determine the efficiency, relevance, effectiveness, sustainability and institutional impact of development activities. Impact evaluation helps in a better understanding of the extent to which the activities benefited the poor and the magnitude these effects on people's welfare. The focus areas for Program Evaluation are:

- Impact Evaluation: A systematic assessment of the impact of CSR activity, program or plan on individual households, institutions, and the environment.
- Evaluating the Program for Improvement: Evaluations must focus on improving the quality of implementation and project outcomes and programs during the project life.
- Evaluating Participation and Empowerment: Programs must also be evaluated with the objective of fostering participation, learning and empowerment among the local stakeholder groups.
- Evaluation of Capacity Development: Evaluation must result in actions to incentivize and building organizational skills, incentives and systems to use evaluation in order to achieve the desired results.

2.8.4 Strategic Planning

Managing with a clear vision, mission and strategy produces lasting outcomes. Globalization and failed and fragile states, the Millennium Development Goals (MDGs) and country Poverty Reduction Strategies require more strategic alignment of development assistance. Donor coordination provides added potential to design and manage country programs that help to create stability and prospects for longer-term development. To stay relevant in this environment, aid agencies need to sharpen their missions, mandates and strategies and engage in constant learning and innovation. The focus areas for strategic planning are:

- Designing Results-Oriented Sector Strategies and Countrywide Programs: Strategy planning needs engagement with working with donors, governments and local stakeholders to develop a results-oriented program for the sector (strategies and programs in health, education, environment, governance, and etc.).
- Strategic Planning for Organizations and Teams: This involves creation of a shared vision, mission and formulation of a strategy with measurable results across the organization and teams. Doing so establishes an operating unit; creating a culture for strategic management.

2.8.5 Effective Teams

Harnessing the creativity, collective wisdom and the energies of diverse teams is an effective catalyst for achieving development results. Effective teams are important catalysts for development and social change and they are increasingly diverse and dispersed. Teams and their members come with different values, varied skills and experiences, technical skills and cultural traditions. Technical assistance teams are often under pressure to produce quick results, especially in challenging environments. Teams that work closely with their local counterparts must learn the model values of empowerment and participation. In such settings, traditional team building effort is not enough. The areas of focus for effective teams include:

- Team Planning Meetings: To achieve an early start-up for effective technical assistance.
- Team Building for Existing Teams: Team assessment, and tailored team building, (including Meyers Briggs Type Indicator, (MBTI), to improve performance of existing teams.
- Building Team-based Organizations: Creating organizational leadership processes, procedures, structures and incentives to support effective teams.
- Building Effective Virtual Teams: Using specialized tools and methods for building virtual teams and communities for effective collaboration of practice.

2.8.6 Social Impact Management

This addresses the issue of inclusive growth is more than mere poverty alleviation. It seeks to address the problem of equity through the enhancement of opportunities for everybody.

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Chapter 3
Analyzing Capacity Development Approaches in CSR Implementation and Their Societal Impact: A Case Study of ITC's E-Choupal

Sumita Sindhi, Upendra K. Maurya and Mahendra K. Shukla

Abstract This paper examines capacity development for collective action and institutional change through implementation of Corporate Social Responsibility (CSR) initiatives in Indian context. Capacity development for collective action focuses on creating and strengthening capacities that represent the potential for collaborative response to social problems. Framework developed by Rama et al. (2009) has been used to study Collective Action Model (CAM) integrated with capacity development approaches to study CSR implementation and its impact in the context of ITC's e-chaupal (India). ITC's e-chaupal has been instrumental in development of individual and organizational capacity, collaborative capacity in enabling environment. This case is pertinent to CSR initiatives in rural development projects. The case shows a good fit to the framework and highlights multi-stakeholder collaborations for an enabling environment and development at grassroots. Framework based analysis is useful, as it enables practitioners and researchers to develop an integrated view of CSR implementation.

Keywords Capacity Development • Institutional Change • Societal Impact • ITC • E-chaupal • Collective Action Model

3.1 Introduction

Solutions to complex social problems often call for collective actions and institutional innovation. Given the complex social, cultural, political environment in India's rural areas, collective action is very important to bring about significant change (Meinzen-Dick et al. 2004). Published literature describes collective action in various ways such as development of institutions, resource mobilization, coor-

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dination activities and information sharing (Poteete and Ostrom 2003). According to Hargrave and Van de Ven (2006), collective action is defined as "networks of partisan and distributed actors in an inter-organizational field who are embedded in a collective process of creating or revising institutions," and is triggered by the "recognition of institutional problem, barrier, or injustice" resulting in "novel institutional arrangements that address a social problem".

Business houses have realized the importance of CSR for their expansion and sustainability of their business. It is also felt that there is a compelling business case for making a substantial commitment to CSR. At the same time, it involves major challenges with respect to the formulation and implementation of CSR strategy (Smith 2003a, b). Most CSR work is development oriented, which requires institutional arrangements for positive response. Collective Action Model (CAM) explains institutional innovation—changes as emerging from a "dialectical process in which opposing actors in the organizational field frame issues and construct networks in an attempt to introduce new institutional arrangements" (Hargrave and Van de Ven 2006). An effective medium of bringing about institutional arrangements is through strengthening institutional capacities.

This paper examines CSR's role in building capacities and fostering institutional changes by studying Indian Tobacco Company's (ITC) e-Chaupal project. E-Chaupal is recognized as a pioneering project in capacity development and creating an enabling environment in rural areas in India. The case also highlights ITCs experimentation with CSR implementation and activities. The case is analyzed through the framework proposed by Rama et al. (2009), which provides an appropriate conceptual foundation for examining the various CSR response options. The first part of the paper discusses the framework adapted from Rama et al. (2009). The second part discusses ITCs e-Chaupal model of CSR, elaborating on how CAM has benefitted e-Chaupal.

3.2 Different Levels of Capacity Development

As shown in the implementation framework (Fig. 3.1), CSR affects capacity development at four levels—individual, organizational, collaborative and enabling environment. Broadly speaking, Fig. 3.1 represents alternative CSR response/ investments (links I1–I2) in capacity development as well as the outcomes of CSR investments (links O1–O3). Rama et al.'s (2009) framework is motivated by four key issues: (1) emphasis on collective action, (2) consideration of stakeholders influencing CSR or affected by it, (3) interactions between institutional arrangements and organizational actions and (4) long-term focus. Therefore, the focus is on network/ collaborative capacities as well as on the development of enabling environments.

References to capacity development define it in various ways. Further, different terms have been used for similar notions (e.g., collaborative capacity, coalition capacity, and network capacity). Appendix I provides the definitions, rationale and key references used by Rama et al. (2009) to justify their choice of terminology for
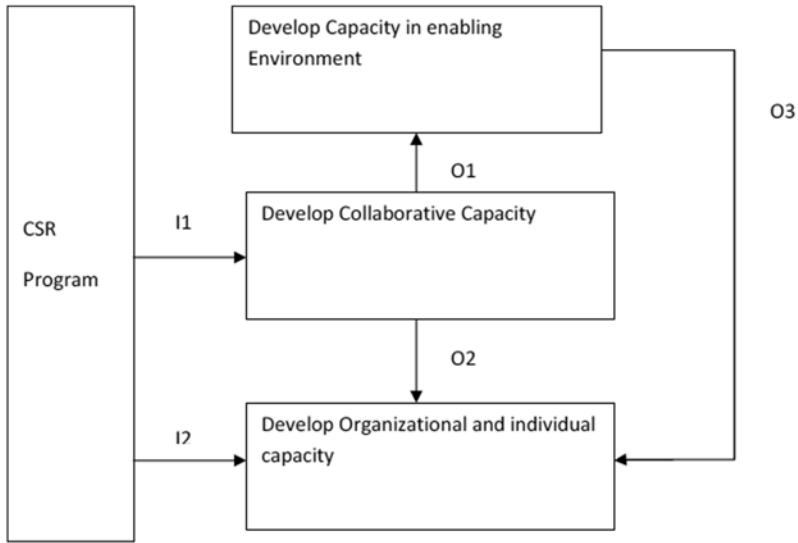
Fig. 3.1 CSR and Capacity Development at Different Levels (adapted from Rama et al. 2009)

the framework elements. For example, since the purpose of networks is to ensure successful collaboration for collective action, authors have used the term collaborative capacity to refer to network level capacity in the following discussion.

3.2.1 Develop Collaborative Capacity (I1)

Collaborative approaches emphasize the importance of building new policy discourses about the qualities of places, developing collaboration among stakeholders in policy making as well as program delivery, widening stakeholder involvement beyond traditional power elites, recognizing different forms of local knowledge, and building rich social networks as a resource of institutional capital through which new initiatives can be taken rapidly and legitimately (Healey 1998). Rama et al. (2009) used Collective Action Model (CAM) as a starting point to understand the nature and extent of CSR investment in collaborative capacity development. More precisely, CAM explains collective action in terms of three key factors: political opportunity structures, mobilizing networks, and framing processes (Hargrave and Van de Ven 2006; McAdam et al. 1996). Through the CAM lens, CSR implementation attempts to address complex social problems by suggesting investments to mobilize networks or associations of individuals, organizations, and resources brought together for collective action.

When investing in collaborative capacity (link I1), CSR programs can serve as institutional entrepreneurs and actively construct "networks of complementary players that collectively possess the skills and resources needed to achieve success and

to enact institutional arrangements" (Hargrave and Van de Ven 2006). Alternatively, CSR programs can identify and develop existing networks of organizations that address the social problems of interest. CSR programs can commit financial, human, and other resources to develop the capacity of existing networks. Further, from an implementation perspective (see Fig. 3.1), in order to develop collaborative capacity, CSR programs must invest in Civil Society Organizations (CSO) for Multi-Stakeholder Collaborations (MSC).

3.2.2 Develop MSC Capacity

Here, MSC refers to a subset of CSO that host inter-organizational networks to underscore the fact that collaboration for collective action is usually accomplished through an organization and that organizational capacity is critical to successful collaborations (Butterfoss et al. 1993; Chaskin 2001; Foster-Fishman et al. 2001; Innes and Booher 2003; Wells et al. 2006; Zakocs and Guckenburg 2007). Zakocs and Guckenburg (2007) note that while individuals may assess problems and propose solutions, networks can foster trust and collaboration, and organizations execute the recommended strategies. Foster-Fishman et al. (2001) emphasize on relational capacity, apart from organizational capacity, to play an important role in fostering collaborative capacity development. Relational capacity includes items such as a shared vision, a cohesive and trusting working climate, and a culture that promotes internal power-sharing, inclusiveness and regular interactions among diverse stakeholders (ibid).

3.2.3 Develop the Enabling Environment (O1)

UNDP (2006) recognizes enabling environment as one point of entry for capacity development efforts and suggests that organizations need to examine factors in the enabling environment that can facilitate or constrain organizational performance. Enabling environment or institutional arrangements impact the ability of projects and programs to generate long term benefits. Under CAM, political opportunity structures constrain actors from pursuing some courses of action and enable them to pursue others (Campbell 2002). Political opportunity structures are recognized as a key factor affecting the emergence of new institutional arrangements. In the framework, no direct link is shown between enabling environment and CSR activities. This is because CSR programs must invest in capacity development of individuals, organizations and networks in order to effect changes in enabling environments (O1).

MSC activities drive the development of the enabling environment through capacity utilization. Capacity utilization refers to the use of soft resources (e.g. imagination, leadership, commitment, and trust) to get access to existing resources in different parts of the system and combining them in imaginative ways to solve problems (Morgan 1998).

3.2.4 Develop Organizational and Individual Capacity (I2, O2, and O3)

CSR program investments affect organizational capacity in multiple ways. Link I2 represents direct investment by CSR programs in the capacity of an individual, or organization as opposed to links O2 and O3 that represent indirect impacts of CSR investments in developing collaborative capacities. Rama et al. (2009) argued that organizational capacity can impact individual capacity in two major ways. First, a member CSO may support the development of individual capacities. Second, the development of internal organizational capacity can impact the capacity of a business's employees.

As shown in Fig. 3.1, capacity development can be directed towards the development of capacity of (1) external organizations and the individual, (2) the business organization itself (internal organizational capacity) and the individual. In this analysis of ITCs e-chaupal experiment, individual and organizational capacity development has not been differentiated due to lack of clear distinction and close association between the two.

3.2.5 Develop External Organizational Capacity

External organizational capacity refers to the capacity of CSO besides the MSC discussed in the previous section. This can happen in three phases: First, CSR programs may invest resources (link I2 in Fig. 3.1) for developing the capacity of an individual CSO. Second, MSC and MSC networks can directly invest in the organizational capacity of a member CSO (link O2). Third, the development of enabling environments (as discussed in the previous section) can support the development of external organizational capacity (link O3). Simultaneously, the CSR programs may also invest in enhancing individual capacity within and beyond organizational boundaries.

3.2.6 Develop Internal Organizational Capacity

Significant resources may also be required to build capacity within the business entity for CSR by developing appropriate structures, incentives, communication channels, etc. Internal organizational capacity is particularly important for embedded CSR approaches that engage a significant proportion of an organization's business units and employees.

3.2.7 ITCs E-Chaupal

E-Chaupal started out as a project which leverages the internet to empower small and marginal farmers who constitute a majority of the 75 % of the population below poverty line and to disentangle them from the clutches of middlemen. The project is a powerful illustration of corporate strategy that linked a business objective to a larger societal purpose. E-chaupal has been recognized as a pioneering CSR strategy for which ITC bagged 'Golden Peacock Global Award for Corporate Social Responsibility (CSR) in Emerging Economies for 2005'. It also received Corporate Social Responsibility Award in 2004 from the energy and resources institute (TERI) for its e-Chaupal initiative.

E-chaupal is a knowledge portal that was launched in 2000. It harnesses the empowering force and scalability of information technology to provide farmers with a range of information and services. Designed to enable collective bargaining and enhance their transaction power, e-Chaupal was the much needed and easily adoptable tool farmers had been waiting for. By providing them with farming know-how and services, timely and relevant weather information, transparent price discovery and access to wider markets, e-Chaupal enabled economic capacity to proliferate at the base of the rural economy. ITC's strategic intent is to develop e-Chaupal as a significant two-way multidimensional delivery channel, efficiently carrying goods and services out of and into rural India. By progressively linking the digital infrastructure to a physical network of rural business hubs and agro-extension services, ITC is transforming the way farmers do business, and the way rural markets work. ITC gathers information on weather, modern farming practices, and market prices from input related actors/sources like the Meteorological Department, Agri-universities, *mandis* (regional markets) etc. The information is uploaded on to the e-Chaupal website. The information is customized according to local farmers' requirements and provided in the local language through computers set up by ITC in the *Sanchalak's* (formerly commission agents and influential persons of the village) house. The *Sanchalak* accesses the information and facilitates its dissemination to farmers.

E-chaupal is a virtual market place where farmers can transact directly with a processor and realize better prices for their produce. E-chaupal has the advantages of the market but also spans very large varieties of vendors and customers. Geographical distances do not restrict participation in e-Chaupal. The program minimizes transaction costs by buying output at the farmers' doorstep with transparent pricing and weight management practices. The entire system can be depicted in a simplified schematic model as shown in the Fig. 3.2. Figure 3.2 depicts ITC Limited's e-Choupal program which links ICT to the local farmers whose capacities are enhanced by using the services of the Sanchalaks (the enablers or facilitators) who disseminate information to farmers. On the same platform, farmers are helped to get in touch with the food processing units and farm input related actors like seed suppliers, fertilizer and pesticide manufacturers. Thus, farmers can access information and know-how directly from source, overcoming powerful middlemen. At the same time, a farmer can sell his produce from his doorstep at market price by using

Fig. 3.2 Model of E-chaupal
Network and Collaborative
capacity. (Source: Authors
(2012))
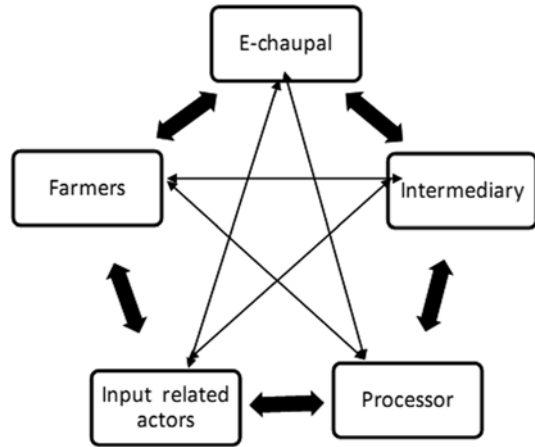
information obtained from Sanchalaks and the same computer hubs from where
information on agricultural input and output marketing was obtained.

In this model, the stakeholders are the intermediaries, processing units, universi-
ties, input marketers who are involved in the program and benefit from it. This is
an example of how capacity is enhanced by the power of networking and capac-
ity utilization. Such responses required long-term collaborative action between the
stakeholders and a corresponding focus on developing capacity and enabling envi-
ronment and networks.

In the context of the framework under study, e-Chaupal represents a CSR pro-
gram in the role of an institutional entrepreneur. Thus, this paper focuses on the
development of collaborative capacity and enabling environments; and also the im-
pact of these capacities on organizational and individual capacity. It also highlights
institutional innovation in which the local community, the sponsoring company, the
companies who provided the inputs, universities are all treated as stakeholders each
of whom plays a part in enhancing the capacity of local small and marginal farmers.

3.2.8   Develop the Enabling Environment (O1)

ITC's strategic CSR model brings substantial benefits to society and helps in im-
proving the standard of living of the stakeholders and, at the same time, adding to
shareholder wealth. The main attraction of e-chaupal is that it can be used to con-
nect large/small producers to small/large consumers. India's rural markets offer a
huge business opportunity and to tap it (ITC 2011) businesses must understand the
power of the small entrepreneur in village communities. ITC recognized this fact
and applied this learning to the e-chaupal model.

Capacity utilization through e-Chaupal is central to the development of enabling
environment. The overall approach of the project involves mobilizing and engaging

Table 3.1 ARVIN framework for developing enabling environments

	CSR assessment questions	e-chaupal Project—enhancing the enabling environment
A (association)	How does the CSR investment create/improve individuals and organizations ability to associate?	Create opportunities for farmers to directly connect to ITC(the Company) employees; Sanchalaks (enablers/facilitators) directly in touch with managers
R (resources)	How does CSR investment enhance participants' financial resources, time, materials, or skills required for viable association?	Reduced transaction cost for farmers (beneficiary), help increase their profit margins, access to better quality seeds and input material; acquiring computer skills
V (voice)	How does CSR investment improve participants' ability to formulate, articulate and convey opinion?	Farmers decide as to the information required by them and the web contents are developed accordingly. The design of the website, language, contents are all decided after focus group discussions (FGD) among the farmers
I (information)	How does CSR investment create/enhance improved access to information required to exercise voice, engage in negotiation, and gain access to resources?	Transparency in the system provides all relevant information to the farmers and also gives them the chance to decide where and how to sell their product

the four main categories of stakeholders: the farmers, meteorological department, universities and organization. Each stakeholder brought a distinctive set of capacities to the program that are critical to its success. Together, they formed a network of partnerships (ITC, Met Dept, Universities, Input Co., Sanchalaks) to make available the "best-in-class" in information, knowledge and inputs

E-chaupal's efforts to develop the enabling environment can be understood with the ARVIN framework (Thindwa 2001, 2003). The five ARVIN factors include the ability to (1) associate, (2) access resources, (3) exercise voice, (4) obtain information, and (5) engage in negotiation. The ARVIN framework supports the assessment of actionable items within the larger political, economic, and social context (Table 3.1).

Capacity utilization of the enabling environment is crucial to inducing collaborative capacity development, organizational and individual capacity development. The framework used suggests the spillover effect of enabling environment on the collaborative capacity development, organizational and individual capacity development. These outcomes are discussed in the following sections of this paper.

3.2.9 Developing the Collaborative Capacity (I1)

CSR programs can help to mobilize networks and support frameworks through investments in multi-stakeholder collaborative (MSC) capacity. As a responsible

corporate citizen with enduring relationships in rural India, ITC has a history of collaboration with communities and government institutions to enhance farm productivity and the rural resource base. Envisioning a larger societal purpose, ITC initiated this project as an experiment. The experiment was piloted in 5 states by establishing 50–100 e-Chaupals. The challenge lay in fashioning a corporate strategy that enables realization of these goals in a mutually reinforcing and synergistic manner. The synergy amongst farmers, institutional processors and procurers has worked out well due to the efforts of the organization; and the collaboration amongst different stakeholders has resulted in the success of the program

3.2.10 Encouraging Organizational and Individual Capacity (I2, O2, O3)

Enhanced organizational and individual capacity has helped the farmers in diverse ways such as development of local leadership, shared ownership of the assets created in the initiative, access to the latest knowledge in the agro-sector, sustainable income levels and skills development for improvements in productivity.

It was essential to develop close collaboration and promote cooperation between company employees working in the remote hinterland and the Sanchalak. ITC addresses this need by conducting events and programs that are focused on the development of new skills sets:

- Farmer relationship management workshops for field teams
- Outbound training program for senior management team including leadership styles, inventory workshops, and for improving collaborative management skills
- Strategy workshops for communicating purpose and encouraging continuous generation of ideas.
- Training programs for quality testing and entrepreneurial development of the sanchalaks
- Creating trust among the contributing farmers as trust in working relationships is the single most attribute that will determine program success.

Thus, it became necessary for e-Chaupal to set up hubs in villages with a representative, called Sanchalak. The Sanchalak is responsible for handling all activities and works as an intermediary between ITC and the farmers. This arrangement also resulted in the enhancement of local leadership. Increased participation in e-chaupal is the outcome of the creation of a win-win arrangement in which both the company and the farmer benefit equally. The farmer is attracted to e-chaupal because of the prospects of better price realization (increased profits), availability of value-added services, savings in time, and the ability to use the e-chaupal for other transactions.

Today, e-chaupal is a vibrant and rapidly growing business zone in which over 4 million farmers interact. The total cost incurred so far on the initiative is Rs. 50 million (Rs. 35 million as capital costs for computers and other hardware at the kiosks as well as central servers plus Rs. 15 million revenue expenditure incurred on portal

development, people, overheads etc). But ITC has accrued a benefit Rs. 20 million. This is equivalent to 40 % of the amount invested in the project.

E-chaupal encourages creativity and innovation at the local level and stimulates entrepreneurial actions. There are no restrictions on its use and the development of new applications for e-chaupal by the farmers and Sanchalaks.

3.3 Key Learning Points

The E-Chaupal model has been studied from various perspectives. However, the capacity development aspects—in terms of individuals, organizations, collaborations and enabling environment have not been examined. A study of ITC's e-chaupal from the perspective of CAM framework provides an active example of how CSR activities can be planned and executed keeping capacity building as a key ingredient for a successful program.

E-Chaupal is an apt example of how capacity development at different levels can lead to collective action and institutional change. The changes are augmented by continuous interaction among all actors in E-chaupal namely, Processor, Input related actors, Farmers and Intermediaries. It also demonstrates how the intended beneficiaries, the farmers, are enabled. State-of-the-art technology is used *for* the local farmers and *by* the local people/farmers to generate larger and longer term impacts.

Moreover, this framework holds a greater potential value in developing countries. It shows how CSRs can achieve the impact at the grassroots and play a significant role in poverty alleviation. From the perspective of business strategy, ITC has derived considerable gains from e-Choupal. But, more importantly, it has increased awareness at the local level and guided all the important actors to collaborative thinking and action for mutual gain.

3.4 Conclusion

From the discussions above it is clear that ITC's e-chaupal has been instrumental in developing individual organizational collaborative and enabling environment capacities. Development of the capacity for enabling environment further induces the development of the other capacities. This framework is a useful tool for examining the implementation of CSR programs. ITC's program is an empirical validation of the theoretical framework and reaffirms its usefulness in context of the needs of developing countries.

Using this framework, it may be worthwhile to view CSR as a portfolio of investments, which balances the long term investment in enabling environments and institutional change, the medium term investment in the capacities of farmers and intermediaries, and short term participation inter-organizational knowledge transfers. Some CSR programs may consider the option of investing some of their resources in creating organizations and networks to implement solutions for broader institutional change.

Evaluation of CSR programs is an important element of implementation. The e-Choupal project explicitly recognizes the necessity of reporting and evaluation. This framework can be used to evaluate the impact of CSR programmes. Innes and Booher (2003) note that the assessment of collaborative processes, where outcomes are discovered in the course of problem solving, call for a different approach than traditional evaluation processes. Systemic evaluation practices must be embedded in the process and must address the range of stakeholder needs and concerns, time frame issues, and the performance metrics for the levels of capacity development, assessment, approaches, etc (Cabrera and Trochim 2006).

The framework can also be used as a tool to articulate and keep track of the understandings of causal linkages among the actions in CSR programs and their outcomes. The limitations of the fit of this model with e-Choupal need to be addressed in further studies. Though the model shows a good fit, there are overlaps between the constructs, which make precise understanding difficult. Moreover, the model was analyzed with secondary data and information gained from ITC's perspectives. Other stakeholders' perspectives also need to be captured for a better understanding of the entire process. Therefore, further empirical investigation based on primary data is suggested.

Annexure: CSR implementation: The Elements of the Framework for Capacity Development

Capacity Type	Description	Use in CSR implementation framework (Fig. 3.1)
Enabling environment	Enabling environment capacity refers to the actionable elements of the broader social, economic, political, legal, and cultural environment that can be shaped by collective action	Enabling environment capacity was included as it is a key element in our framework as systemic approaches to capacity development underscore the importance of the enabling environment level as well as the linkages to the other three levels in Fig. 3.1 (Lusthaus et al. 1999)

Capacity Type	Description	Use in CSR implementation framework (Fig. 3.1)
Collaborative	Terms such as collaborative capacity, network capacity, coalition capacity, and relational capacity have been used in the context of collaborative efforts by multiple stakeholders (Butterfoss et al. 1993; Chaskin 2001; Foster-Fishman et al. 2001; Innes and Booher 2003; Wells et al. 2006; Zakocs and Guckenburg 2007). 'Collaborative Capacity' was preferred to coalition capacity because it represents the notion of capacity for collective action by multiple stakeholders. Consistent with prior literature, the authors' notion of collaborative capacity encompasses organizational (organizational structures, administration, leadership, incentives, communication systems, and continuous learning and evaluation), and relational capacities (shared vision, a cohesive and trusting working climate, and a culture that promotes internal power sharing, inclusiveness and regular interactions among diverse stakeholders of the collaboration (Foster-Fishman et al. 2001)	The term 'Collaborative Capacity' refers to the overall capacity of a collaborative effort. It includes both organizational and relational capacities. As shown in Fig. 3.1, collaborative capacity is realized through two types of entities—MSC and MSC networks: 1. MSC capacity (Civil Society Organization—Multi-Stakeholder Coalition) The term MSC refers to the subset of CSO that host the collaborative efforts of multiple stakeholders in order to enact institutional change 2. MSC network capacity: We use this term to refer to specialized networks within a larger collaboration (e.g., The Corporate Council of The Points of Light Foundation)
Organizational	Organizational capacity includes elements such as organizational structures, administration, leadership, incentives, communication systems, and continuous learning and evaluation. Elements of organizational capacity have been examined in several studies. (De Vita et al. 2001; Linnell 2003; UNDP 1997, 2006; World Customs Organization 2003)	As shown in Fig. 3.1, the framework includes (1) external organizational capacity (capacity of CSO that are external to the business organization), and (2) internal organizational capacity (the capacity of the business organization to engage in CSR). External organizations can include organizations that are part of the MSC or others that are impacted by the MSC actions
Individual	Individual capacity refers to individuals' ability to solve problems, participate in decision-making, and understanding their roles and responsibilities	In the context of the framework, CSR programs can develop capacities in employees as well as those individuals who are engaged in collective action

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Chapter 4
"Good Business Versus Being Good In Business"—Relationship Between Financial Performance and Corporate Social Responsibility in India

Neeti Sanan, Namita Rajput and Sangeeta Yadav

Abstract Is the goal of wealth creation by a corporation antithesis of concern for society, or does it lead to social benefits? Though the search for a linkage between corporate social performance (CSP) and corporate financial performance (CFP) began as early as the 20th century, it still remains inconclusive. The purpose of this investigation is to extend earlier research on the relationship between corporate social and financial performance in the Indian context. The study is motivated by the need to understand elements of CSP in the Indian environment since it is only in recent times that Indian corporate have started viewing CSP as a business necessity.

This study empirically examines the interrelated aspects of CSP and CFP among thirty Indian companies listed in the BSE 30 Index which represent nine industries. The corporate annual reports for the financial year 2009–2010 were used as the main source of secondary data. The assessment parameters were governance, environment, product, community and employee relations. The measures of corporate financial performance were accounting based indicators namely Return on Assets, Return on Equity and growth in sales. Results of the study point out that there is no significant relationship between CSP and CFP. The paper thus concludes that the link between CSP and CFP in India is uncertain. However since the CSP-CFP link is in its nascent stage in India, it is important to extend future studies over a longer study period to examine the trajectory that this relationship follows.

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4.1 Introduction

"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own interest." These famous words by Adam Smith, an eighteenth century Scottish moral philosopher and a pioneer of political economics, laid the foundation of corporate social responsibility (CSR). CSR or Corporate Social Performance (CSP) entails companies behaving in a socially responsible manner.

CSP has been defined as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (Wood 1991). Another definition of CSP has been given by National Association of Accountants (NAA 1976) committee on Accounting for Corporate Social Performance. It defines CSP as a term that "reflects the impact of a corporation's activities on society. This includes its economic functions and other actions taken to contribute to the quality of life. These activities may extend beyond meeting the letter of the law, the pressures of competition or the requirements of contracts."

The history of social and environmental concern about business is as old as trade and business itself. Although only in common usage only since the 1960s, CSR has its roots in the Industrial Revolution. The Industrial Revolution completely redefined the way business was done. Everything was "big". Businesses amassed huge fortunes in Europe and the USA but at the expense of the wellbeing of employees, society or the environment. Answers emerged in forms of new concepts of socialism and communism, rise of labour unions and governments assumed more responsibility for the welfare of society.

Initiatives and developments for social welfare such as the Brundtland Commission, formation of the World Business Council for Sustainable Development, and the United Nations Global Compact ensued. Given the emphasis on the issue of social welfare, it is little wonder that companies of today take corporate social responsibility into account when planning future business operations. However, increasing CSR practices by firms have also raised the question need to see whether to being "good in business" also leads to "good business results" i.e. a business case for CSR. A business case for CSR involves the linkage of social investments to the economic performance of a firm. In other words, it is the causal link between CSP and corporate financial performance (CFP). The relationship between CSP and CFP is neither simple nor linear. Studies by several scholars point towards a positive relation (Freeman 1984; Jones 1995). An increase in social spending will improve the reputation of firm and its products increase its market worthiness and improve stakeholder relationships. This is the reason why, though the search for the relationship between CSP and CFP began over a hundred years ago, it still remains inconclusive to this day. Numerous studies have been carried out to study this important issue, but the questions still remain unanswered (Margolis and Walsh 2003; Renneboog et al. 2008).

This study is not the first one to examine the CSP and CFP relationship. However, the present paper does take one step forward to explore and demonstrate the relationship between CSP and CFP in an emerging economy like India. The study was motivated by the need to understand the elements of CSP in the Indian context since it is only in recent times that Indian corporate have started viewing CSP as a business necessity. This has also brought increased public policy focus on CSP and the promulgation of related rules and regulations. For this, the study empirically examines the interrelated aspects of CSP and CFP among thirty Indian companies listed in the BSE 30 Index.

4.2 Corporate Social Responsibility/Performance—An Indian Scenario

India has a long tradition of corporate philanthropy. This had a strong base in religious beliefs. However, in the 20th century, CSR constitutes much more than charitable acts. The scope of CSR has also become wider. Activities aimed at uplifting the marginalized sections of society are considered an integral part of CSR. Thus, instead of looking at CSR as simply a form of donation to good causes, Indian firms today are using their own financial, managerial and human resources to promote social welfare programs. The shift has come about both internally by the corporate themselves; and externally from the "push" by increased governmental and public expectations (Mohan 2001). Though CSR is not new to India, it still is at a very nascent stage. Studies show that very few companies are engaged in CSR activities. The ones that do so are either public sector companies or have an international shareholding pattern. However, with increasing globalization and the resultant increase in competition for Indian firms, CSR is fast emerging as a business necessity.

CSR has been mainly a voluntary activity for Indian companies. However, the Government now wants the business sector to assume the responsibility for socially responsible business practices to ensure the welfare of all the stakeholders. This change in mind set is evident from the voluntary guidelines for CSR issued by the Ministry of Corporate Affairs in 2009. Corporate law in India has kept pace with the liberalization of the economy. The Government has introduced several reforms in corporate and, in particular, it has started to address CSR issues. The guidelines of 2009 make it mandatory for Indian companies to disclose their CSR activities to the stakeholders. The execution of these guidelines would be purely voluntary. The guidelines have rechristened CSR as Responsible Business (RB). The guidelines of 2009, give six core elements to CSR care for all stakeholders, ethical functioning, welfare of employees, human rights, environment and inclusive development. According to the guidelines, the board is mandated to ensure that the company will spend two per cent of average net profit on the CSR. In case it fails to do so, the board is required to furnish an explanation to its stakeholders. Thus, though there is no mandatory requirement on the company, a responsibility has been enforced upon the board members. Therefore, the guidelines of 2009 are not simply a provision;

they also make it an obligation on part of the board to spend on CSR. The Companies Bill, 2011 has further laid down provisions for CSR spending. The Department of Public Enterprises (CPSEs) issued a revised set of "Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises" that become effective from April 1, 2013.

These guidelines direct the CPSEs to follow ethical systems and sustainable management practices. The higher standards for CPSEs are a clear signal to the private sector in India regarding the increasing importance of CSR in India. Further, the Union Budget 2013–2014, proposes to amend the 56 year old Companies Bill. If the proposed Companies Bill is implemented, it would bring in more stringent CSR and Corporate Governance norms.

4.3 The Business Case for Corporate Social Responsibility and Performance

From a business standpoint, the case for CSR is simply means that it "pays to be good" i.e. if a company, along with a focus in conjunction with its core business, also works towards creating a better society, it will in the long run perform better financially. There is no denial of the fact that today's firms are working in a more complex environment where forces of globalization, presence of informed stakeholders, fluid capital markets and fierce competition makes the running of a business quite an arduous task. A firm today reels is under great pressure to not only to perform financially, but also at the same time to protect and promote the interests of the civil society. Traditionally CSR was considered as a waste of precious firm resources (Friedman 1970; Levitt 1958; Jensen 2002). Later, this perception gave way to the view that CSR is an extension of the very function of business in society and hence it is a business necessity for the businesses today (Freeman 1984; Mintzberg 1983). There is also a concurrent demand , there are pressing calls on businesses to assume a wider range of social and environmental responsibilities—from business associations such as the World Business Council for Sustainable Development and Business for Social Responsibility (Smith 2003), and from governments and business leaders have articulated this feeling (Wheeler and Grayson 2001).

Social expenses may be incurred as a result of stakeholders' demand or the strategic reason that other firms are doing it. Increasingly, the distinction between 'business concerns' and 'societal interests' is becoming blurred, conceptually invalid and untenable. However, at the same time, the huge amount of expenses on such social expenditure also needs to be quantifiable in terms of the economic performance of a firm. A market motivation seems necessary to impel firms to engage in socially responsible behavior (Vogel 2005). Thus, it becomes important to build a business case for CSR that addresses the growing need for a business to become engaged in social responsibility projects. Various studies have thus been conducted to determine a linkage between the socially responsible behavior of a firm and its financial performance i.e. the business case for CSR.

4.4 Review of Literature

4.4.1 Existing Literature on the Relationship Between CSP and CFP

There exist three approaches to support the business case for CSR. One is the empirical (descriptive), second is the normative (prescriptive) and third is the pragmatist's approach. According to Trevino and Weaver (1994), while empirical inquiry is based on measurement supported by explanation, and prediction, normative inquiry focuses on moral evaluation, judgment, and prescription for human action. According to Wicks and Freeman (1998), the pragmatist's approach employs the criterion of 'usefulness, in the sense of helping people to cope with the world or to create better organizations'. With firms becoming increasingly prosperous, there are greater expectations of their generosity (Margolis and Walsh 2003). Some believe that businesses need must commit themselves as citizens of a broader society (Logsdon and Wood 2002). Over the years there has been a paradigm shift in the CSR discourses about CSR, veering from the macro-level and normative discussions to a more empirical approach where focus is on the effect of a company's CSR efforts on its profit (Lee 2008).

In the present study, we will mainly focus on the empirical approach in which attempt is made to understand the business case for CSR i.e. the possible link between CSP and Corporate Financial Performance (CFP). One line of argument is on the lines of Milton Friedman's critique of CSR. Friedman believed who considers that the "the one and only social responsibility of business, is to increase profits for shareholders" (Friedman 1970). This led to the arguments in support of a negative link between CSP and CFP. On the other hand, other scholars like Freeman (1984) and Jones (1995) posit a positive link between the CSR policies of a firm with its financial success, leading to sustainable competitive advantages for firms with good CSR policies (Mintzberg 1983). The underlying hope was that, if CSP and CFP could be shown to have a positive relationship, the long standing conflict between those 'for' and 'not for' CSR might be resolved. At the same time, a positive link between social and financial performance would legitimize justify corporate social performance on economic grounds (Useem 1996). It would allow companies to spend more on social good since as it serves the purposes of affecting their profitability positively and, at the same time, contribute more broadly to the well-being of society. However, despite years of theoretical and empirical attention, studies spanning over long period have failed to bring out any clear result in a clear understanding of regarding the CSP-CFP link. The search for a universal CSP-CFP link has not proved fruitful (Barnett 2007; Margolis and Walsh 2003; Orlitzky et al. 2003).

One main challenge has been to both specify and operationally define the CSP construct (Barnett 2007; Clarkson 1995; Wood 1991; Orlitzky et al. 2003). There exist too many variables in the link between CSP and CFP for a consistent and significant relationship to be discovered (Ullmann 1985; McWilliams and Siegel 2000). It is imperative to evaluate and understand the link between corporate social

performance and financial performance (CSP-FP) since it affects managers, stockholders, and all stakeholders (employees, managers, shareholders, customers, community, etc.) of a corporation.

4.4.2 Conceptual Framework and Development of Hypotheses

This section following section describes the methodology undertaken applied to investigate the link between CSP and CFP in the Indian context. That CSP is highly contextual is widely agreed upon (Matten and Moon 2008). The Indian corporate landscape makes for a unique setting given a rich tradition of philanthropy on one hand and preponderance of family owned businesses, weak internal controls and still weaker institutional support on the other.

4.5 Corporate Social Performance (CSP)

The earliest definition of corporate social performance was proposed in the 1950's when Bowen (1953) advocated that businessmen should pursue those policies which meet societal objectives. This definition expanded as alternative theories such as stakeholder theory and business ethics theory took root. A recent study by Chen and Wongsurawat (2011) posits that accountability, responsibility, transparency, and competitiveness are the core constructs of CSP in a firm. Delineating parameters that measure the above poses a considerable challenge for researchers.

According to Callan and Thomas (2009), the index provided by KLD (Kinder et al. 1993) Research and Analytics, Inc. is one of the superior measures of socially responsible behaviour available in literature. In a recent study, Barnett and Salomon (2012) used KLD data of 1,214 companies to assess social performance. Since there are no KLD data in India, this study uses KLD's available contemporary classification of the corporate social responsibility variables in for five sub-areas: community relations, employee relations, environment, product and shareholders to measure CSP.

4.6 Corporate Financial Performance (CFP)

A connection between being "good in business" to "good business" would go a long way in persuading companies to act more conscientiously (Campbell 2006) or in redressing societal ills (Porter and Kramer 2006). In order to measure "being good in business" i.e. firm performance, both accounting- and marketing- based measures and marketing based measures are accepted to be valid. While accounting- based

measures reflect historical financial performance, market measures are futuristic predictors of financial performance (Hoskisson et al. 1994; Keats and Hitt 1988).

This study used accounting measures such as return on assets (ROA), return on equity (ROE) and growth in sales (G in Sales) to measure corporate financial performance as these measures represent a company's internal efficiency (Cochran and Wood 1984). While ROA represents amount the quantum of earnings for every unit of asset employed and is hence a measure of a firm's profitability. On the other hand, ROE represents how efficiently a company has utilized its earnings to generate income. These measures have earlier been used by Waddock and Graves (1997); and G in sales as a measure of CFP was used by Lev et al. (2010) to examine impact of CSP on CFP.

4.7 Moderating Variable Consideration

In order to be able to extricate the link between CSP and CFP, the study controls the variables that might impact CFP. The choice of these variables is in line with previous studies conducted by Elsayed and Paton (2004) and Galbreath (2006). Firm size, as represented by the natural logarithm of total assets, and financial leverage, as represented by debt to equity ratio, have been controlled in order to study the link between CSP and CFP.

4.8 Testable Hypotheses

CSP is both a predictor and consequence of firm financial performance (Waddock and Graves 1997). In order to test the above claim, two hypotheses have been framed. In order to test whether CSP of the previous year impacts CFP of the successive next year, the following hypothesis (stated in null form) is framed with respect to listed Indian companies:

H_1: There is no significant relationship between corporate social performance (CSP) in one year and corporate financial performance (CFP) in the next year.

H_1 is based on the rationale that companies which invest in CSP may, in addition to an improved ability to attract capital and skilled employees, have a better public image, and improved relationships with the community in addition to an improved ability to attract capital and skilled employees. These may all lead to better financial performance. But there is likely to be a time lag associated with the implementation of corporate social responsibility and improved financial performance (Blackburn et al. 1994). On the other hand, companies, which are financially strong, have the resources to invest in community, environment and other social causes. But there may be a one year's lag between deploying these resources for better corporate

Table 4.1 Sector wise
distribution of BSE 30 Index
companies

Sector	Companies represented
Automotive	4
Capital goods/Construction/ Infrastructure	5
Banking & Finance	4
FMCG	2
IT/ITES	4
Metals and Minerals	4
Power, Oil and Gas	5
Pharmaceutical	2
TOTAL	*30*

Note: This total is made up of Five Public and 25 Private Sector Organizations

social performance. CFP therefore could lead to CSP in the successive year. This leads to the second hypothesis, (stated in null form):

H$_2$: There is no significant relationship between corporate financial performance (CFP) in one year and corporate social performance (CSP) in the next year.

The third hypothesis is based on the rationale that the raison d'être of public sector companies in India has always been public welfare, hence they are expected to display high standards of corporate social performance. However, it may be possible that private sector companies view corporate social performance as a tool for enhancing their competitiveness. There may be attempts to present corporate social performance results in a favorable way. Thus, their CSP scores may be higher than that of public sector companies. Hypothesis three as stated in null form:

H$_3$: There is no significant difference in the level of corporate social performance between public and private sector companies.

4.9   Research Methodology

4.9.1   Sample Construction and Data Collection

The sample consisted of thirty companies which form a part of the BSE sensitive index (Appendix II). The study focused on companies listed on the BSE because of easy accessibility of annual reports and reliability of data pertaining to their performance. BSE is the oldest stock exchange in India and one of the two major exchanges in the country, A majority of studies of Indian businesses use BSE listed companies for sampling. BSE 30 index was chosen as it represents well established, financially sound and some of the largest Indian companies belonging to different industry sectors. Table 4.1 shows sector wise breakup of the companies in the BSE 30 Index.

Four companies from the automotive sector, five companies from the capital goods/construction and infrastructure sector, four from banking/finance, two companies from FMCG sector, four from IT/ITES sector, another four from metals/minerals, five representing power/oil and gas and two pharmaceutical companies. The sample consists of five public sector companies and twenty five private sector companies. The public sector companies primarily belong to infrastructure and banking sectors.

The study used secondary sources of data. Annual reports were accessed from the company's official website. The CSP score is based on information provided by firms in their annual reports. Their annual reports for the financial year 2009–2010 of the selected 30 companies were carefully examined for the financial year 2009–2010 in detail.

4.10 Measurement of Corporate Social Performance (CSP)

The CSP of each individual company was measured on the basis of shareholders, environment, product, community and employee relations. Secondary sources of data in the form of company annual reports were accessed from the company's official website. The score was '**1**' if the annual reports contained information related to a particular parameter and '**0**' if there was no information related to the particular parameter. The total score was an aggregate of scores across five parameters.

4.11 Model Specification

$$\gamma_{it} = C + \beta_i x_{it-1} + \mu....$$
(4.1)

$$\gamma_{it} = C + \beta_i x_{it-1} + \mu....$$
(4.2)

This research studies two models—one with CSP as an independent variable and another in which CSP is the dependent variable. In Eq. 4.1, y, the dependent variable refers to ROA_{2011}, ROE_{2011} and G in $Sales_{2011}$; X represents the independent variables and refers to CSP_{2010}, and control variables namely, firm size (the which is represented by natural logarithm of total assets) and financial leverage (which is represented by debt to equity ratio). β is the coefficient of the independent variables; μ represents the error term; 'ii' and 't' are firm and time identifiers. In Eq. 4.2, 'y', the dependent variable refers to CSP_{2010}; X represents the independent variables and refers to the variables ROA_{2009}, ROE_{2009} and G in $Sales_{2009}$ and control variables.

There may be a time lag associated with the implementation of corporate social initiatives and ensuing improved financial performance (Blackburn et al. 1994). On the other hand, there may be a time lag between financial performance leading to a corporate's social initiatives (Waddock and Graves 1997). As in the studies carried out by Callan and Thomas (2009); Waddock and Graves (1997) this study assumes a one year lag between the CSP and CFP impact. In line with Hart and Ahuja (1996), Russo and Fouts (1997), the independent variable has been lagged by one year.

4.12 Research Design

This study conducted inferential statistical analysis using statistical software (SPSS version 16.0) for testing hypotheses. To assess the correlation and to examine the hypothesized relation between CSP and three measures of CFP—taken one at a time, the study used the Pearson's correlation matrix.

Regression analysis was used to test Hypotheses 1 and 2. In order to test the first, hypothesis, corporate social performance was taken as the independent variable and measures of financial performance of the following year were taken to be the dependent variable. In order to test the second hypothesis, measures of financial performance were taken to be the independent variable and corporate social performance score of the following year was taken to be the dependent variable. To test Hypothesis 3, the student t-test was used to assess whether the means of the two groups formed by public and private sector companies are statistically different from each other.

4.13 Empirical Results

This section uses descriptive and inferential statistical analysis of data from thirty Indian companies. An individual listed company has been considered as a unit of analysis.

4.13.1 Descriptive Statistics

A descriptive statistical analysis was carried outperformed. This involves summarization and display of data. It includes use of measures of central tendency as well as variation to summarize the financial performance measures and corporate social performance measures and to understand their statistical data distributions.

Table 4.2 shows that the mean Return on Assets has increased from the year 2009 to the year 2011. On the other hand, mean of Return on Equity has increased from the year 2009 to the year 2010 but has declined in the year 2011. The standard

Table 4.2 Descriptive statistics for measures of financial performance. (Source: SPSS output)

Mean	Standard deviation	Minimum	Maximum	
ROA_{11}	19.42	19.83	0.73	82.54
ROA_{10}	19.21	18.50	0.91	83.00
ROA_{09}	18.71	22.74	0.96	124.69
ROE_{11}	24.97	19.66	6.25	85.21
ROE_{10}	25.93	19.23	4.58	90.70
ROE_{09}	25.79	24.15	7.83	143.31
SG_{11}	20.07	9.55	−2.53	39.01
SG_{10}	13.19	22.06	−35.63	74.17
SG_{09}	15.86	23.10	−48.75	48.00

deviation for both, Return on Assets and Return on Equity was the highest in the year 2009. Mean growth in sales has also shows an undulating trend, reducing from the year 2009 to the year 2010 but has subsequently increasing in 2011.

4.14   Does CSP Drive Future CFP?

In order to analyze the impact of corporate social performance of the previous year (2010) on the corporate financial performance of the following year (2011), correlation analysis using Pearson matrix was performed.

As shown in Table 4.3, the degree of correlation between Return on Assets (ROA_{2011}) and Return on Equity (ROE_{2011}) is very high. As regards Corporate Social Performance (CSP_{2010}), there is no significant relationship between CSP_{2010} and any of ROA_{2011}, ROE_{2011} or G in $Sales_{2011}$. To understand the relationship between CSP and following year's CFP, regression analysis taking CSP_{2010} as the independent variable and financial performance measures as the dependent variable, was performed.

As indicated in Table 4.4, the model reports a very low value of R^2. The explanation power of this model is very low.

4.15   Does CFP Determine Future CSP?

In order to test second hypothesis i.e. the impact of previous year's financial performance—i.e. ROA_{2009}, ROE_{2009} and G in S_{2009} on the following year's Corporate Social Performance (i.e. on CSP_{2010},) Pearson's correlation matrix was used.

As per the results shown in Table 4.5, only ROA_{2009} and ROE_{2009}; ROE_{2009} and G in S_{2009} show significant positive correlation. Regardless of the measure of previous year financial performance—(ROA_{2009}, ROE_{2009} or G in $Sales_{2009}$,), the previous

Table 4.3 Pearson's correlation matrix

Variables	CSP_{2010} ROA_{2011} ROE_{2011} $G\ in\ S_{2011}$		
CSP_{2010}	1.000		
ROA_{2011}	0.016 1.000		
ROE_{2011}	-0.023 0.963** 1.000		
$G\ in\ S_{2011}$	**Dependent Variable** ROA_{2011}	**Dependent Variable** ROE_{2011}	**Dependent Variable** $G\ in\ Sales_{2011}$

$G\ in\ S_{2011}$ values: -0.012 | 0.080 | 0.180 | 1.000

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.4 Multiple regression analysis—model summary. (Source: SPSS output)

Independent Variable	B	0.016	-0.023	-0.012
CSP_{2010}	(*p* value)	0.934	0.903	0.952
	R square	0.032	0.001	0.000
	t value	2.217	-0.123	-0.061

The *p* values of CSP 2010 on dependent variable ROA 2011, ROE 2011 and G in S2011 are larger than 0.05, which indicates that the impact of CSP 2010 on dependent variable ROA 2011, ROE 2011 and G in S(2011) is not significant

year's financial performance show no significant correlation with following year corporate social performance i.e. CSP_{2010}.

To understand the relationship between previous year's CFP and the following year's CSP the using regression analysis taking considered CSP_{2010} as the dependent variable and financial performance measures as the independent variables. The models reported a very low value of R^2 as indicated in Table 4.6. Their explanation power is therefore very low.

Table 4.5 Pearson's correlation matrix

Variables	CSP $_{2010}$ ROA $_{2009}$ ROE $_{2009}$ G in S $_{2009}$
CSP $_{2010}$	1.000
ROA $_{2009}$	-0.115 1.000
ROE $_{2009}$	-0.152 0.966** **1.000**

G in S $_{2009}$			
-0.188	0.334	0.376*	1.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.005 level (2-tailed).

Table 4.6 Multiple regression analysis—model summary. (Source: SPSS output)

Dependent Variable CSP$_{2010}$	B	(p value)	R square	T value
Independent Variable				
ROA_{2009}	−0.115	0.544	0.013	−0.615
ROE_{2009}	−0.152	0.422	0.023	−0.816
G in Sales$_{2009}$	−0.188	0.320	0.035	−1.013

Similar results were obtained when controlling for size (as represented by natural logarithm of assets) and financial leverage (as represented by debt to equity ratio), similar results were obtained.

The Pearson correlation matrix in Table 4.7 shows that, as expected, ROA_{2011} and ROE_{2011} have a significant positive correlation. Size as represented by natural logarithm of total assets has a significant negative correlation with both ROA and ROE of the following year. As indicated shown in Table 4.6, the β coefficients for CSP are not statistically significant i.e. ROA, ROE and G in Sales are not influenced by the previous year's CSP. Table 4.6 also shows reasonably high R^2, which significantly better than the when case CSP is the dependent variable.

Also, the β coefficients for Size are statistically significant as per results shown in Table 4.8. Size is inversely related to ROA_{2011} and ROE_{2011} after controlling for CSP_{2010} and leverage (2010). Size has a significant negative correlation with ROA_{2009} and ROE_{2009}.

Table 4.9 shows the results of regression holding when CSP as the dependent variable. The reported value of R^2 is very low. Also, the β coefficients for CFP, as represented by ROA, ROE or G in Sales, are not statistically significant i.e., CFP does not influence CSP of the following year.

Appendix II

The Companies that form the BSE 30 Index

1 Bajaj Auto
   www.bajajauto.com, www.bajajauto.com/aboutbajaj/community.asp
2 Bharat Heavy Electricals Limited
   www.bhel.com/
   http://www.bhel.com/investor_relations/pdf/Code%20of%20Business%20
   Conduct%20and%20Ethics.pdf
3 Bharti Airtel Limited
   www.bhartifoundation.org
   www.bhartiairtel.in/index.php?id=annual_results
4 Cipla
   www.cipla.com/, http://www.cipla.com/corporateprofile/careandeducation.htm
5 Coal India
   www.coalindia.in, http://www.coalindia.in/CSR.aspx?tab=0
6 DLF Limited
   www.dlf.in/, http://www.dlffoundation.in/dlf/wcm/connect/dlf_foundation/DLF_
   foundation/Left_Links/Education/
7 HDFC Bank Limited
   www.hdfc.com
8 Hero Motorcorp Ltd
   www.herohonda.com/
9 Hindalco Industries
   www.hindalco.com/, http://www.hindalco.com/about_us/sustainability.htm, http://
   www.hindalco.com/about_us/CSR.htm

Table 4.7 Pearson's correlation matrix

Variables	CSP$_{2010}$ ROA$_{2011}$ ROE$_{2011}$ G in S$_{2011}$
Size $_{2011}$ (Ln Assets)	Risk $_{2011}$ (D/E)
CSP$_{2010}$	1
ROA$_{2011}$	0.016 1
ROE$_{2011}$	-0.23 0.963** 1
G in S $_{2011}$	-0.12 0.080 0.180 1
Size $_{2010}$(Ln Assets)	0.090 -0.685** -0.599** 0.067 1

Leverage $_{2010}$ (D/E)						Dependent Variable ROA$_{2011}$	Dependent Variable ROE$_{2011}$	Dependent Variable G in Sales-$_{2011}$
- 0.185	- 0.263	- 0.111	- 0.10	0.188	1			

**. Correlation is significant at the 0.01 level (2-tailed)

Table 4.8 Multiple regression analysis—model summary control variables & independent variables. (Source: SPSS output)

$Size_{2010}$	B	−0.666**	−0.604**
$Leverage_{2010}$	B	−0.128	0.009
CSP_{2010}	B	0.052	0.033
	R square	0.491	0.360

Table 4.9 Descriptive statistics for measures of size & risk. (Source: SPSS output)

Mean	Standard Deviation	Minimum	Maximum	
1009989.73	2307518.149	26339	12237362.01	Assets 2011
872679.00	1991236.223	25835	10534137.30	Assets 2010
803013.52	1849331.832	24834	9644321	Assets 2009
0.571000	1.2253398	0.0000	6.5200	D/E 2011
0.591333	1.1876773	0.0000	6.3700	D/E 2010
0.606333	1.1344222	0.0000	6.1000	D/E 2009

10 Hindustan Unilever
   www.hul.co.in/, http://www.hul.co.in/sustainability/
11 Housing Development Finance Corporation Limited
   www.hdfc.com, www.smilefoundationindia.org/hdfc.htm
12 ITC Ltd
   www.itcportal.com/
13 ICICI Bank Limited
   www.icicibank.com/, http://www.icicifoundation.org/
14 Jaiprakash Associates
   www.jalindia.com/, http://www.jalindia.com/crdp.htm
15 Infosys Technologies
   www.infosys.com/, foundation@infosys.com
16 Jindal Steel & Power Ltd
   www.jindalsteelpower.com/, http://www.jindalsteelpower.com/sustainability/csr/csr-approaches.aspx
17 Larsen & Toubro
   www.larsentoubro.com/
18 Mahindra & Mahindra Ltd
   www.mahindra.com/, http://www.mahindra.com/socialinitiatives/corporate-social-responsibility.html
19 Maruti Suzuki Limited
   www.marutisuzuki.com/
20 National Thermal Power Corporation Ltd.
   www.ntpc.co.in/
21 Oil and Natural Gas Corporation Limited
   www.ongcindia.com/

22 Reliance Industries
   www.ril.com/
23 Sate Bank of India
   www.statebankofindia.com/
24 Sun Pharma
   http://www.sunpharma.com/
25 Sterlite Industries India
   www.sterlite-industries.com/
26 Tata Consultancy Services
   www.tcs.com/, http://www.tcs.com/about/corp_responsibility/Pages/default.aspx
27 Tata Motors Limited
   www.tatamotors.com/
28 Tata Power Suuply Ltd
   www.tatapower.com/
29 Tata Steel Limited
   www.tatasteel.com/

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Chapter 5
Communication of Corporate Social Responsibility on the Internet: a Study of Selected Private Sector Companies in India

Sumona Ghosh

Abstract This paper aims to explore the nature and extent of web-based CSR disclosure and communication by a select group of private sector companies in India. An empirical and analytical study was undertaken whereby the corporate official websites of the companies and the annual reports were analyzed. Data was then generated from such an analysis using Qualitative Document Analysis. Data was analyzed by using descriptive statistics to answer the research questions. Most of the select data set had their CSR link on their home page itself. The tool for communicating CSR information was primarily text. Very limited number of the selected companies had provided additional information apart from the information with respect to the CSR activities undertaken by them. Disclosure of CSR information was found to be mostly qualitative. Proportion of companies that was responsive towards environment and education was the highest. Disclosure of CSR information was very scanty in the annual report and communication of information towards the various fields of CSR activities in the various segments of the annual reports was also not extensive. Environment and education were the two most dominant CSR activities with respect to disclosure of information both in corporate websites as well as in the annual reports. Disclosure of CSR information was very scanty in the annual reports. Communication via interest offers a great platform for dialogue and interaction between a company and its stakeholders which unfortunately was not effectively used by the select data set.

5.1 Introduction

CSR has now slowly acquired a new momentum amongst the business houses because the best index of a company's success is longevity and it comes from living in harmony with the society. Society is an important stakeholder for corporation. Long-term success of any corporation requires it to earn the goodwill and this good-

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will can be achieved by showing its responsiveness towards social responsibility. This would help them to enter new markets and build up a reputation which in turn would have a positive impact on their products. However, for corporate enterprises the capacity to influence the CSR activities taken up by them depends on the capacity to communicate with different stakeholders and on the support obtained from them. In fact, CSR has been defined as "an extremely complex web of interaction between an organization and its stakeholders" Sjoberg (2003). But the question arises have the companies been effective in communicating the social and environmental effects of organizations' economic actions to particular interest groups within society, and to society at large? How far have they been successful in transparent and proactive communications of CSR? It is noteworthy to observe here that Dawkin (2004), had lamented that even though CSR is an ongoing business priority, "communication often remains the missing link in the practice of corporate responsibility" (p. 108). These questions are a reflection of the fact that now; there are greater demands for mandatory and non-mandatory reporting of social responsibility initiatives Birch, (2003). Almost 3 decades ago, Jacoby (1973) propounded the role of communication as a form of "social audit" to alleviate the negative perceptions of business as insensitive to social issues (p. 267). Later Manheim and Pratt (1986) delineated the communication imperative for corporations if they were to better position themselves as "a contributing member of society, as a good citizen, and as a social leader" (p. 9). Specifically, they argued that the public either does not know about or does not appreciate the effort and resources devoted to the case of responsible corporate behavior.

This study therefore explores CSR disclosure and communication by the select group of private sector companies in India through an examination of the nature and extent of web-based CSR communications undertaken by such companies. With the inclusion of this introduction, the paper has been organized into 6 sections. Section 2 highlights on the literature review and the objectives for this study. Section 3 outlines the methodology. Section 4 provides analysis and observations into the perceived importance of web-based CSR communication among the private sector companies in India. Section 5 presents the concluding remarks acknowledging the limitations of the study.

5.2 Literature Review and Objectives

Researchers and academics have been studying the subject of CSR for more than 50 years. Most of these studies have concentrated on CSR of western countries such as USA, Europe and Australia, Adams et al. (1998); Gray et al. (1987); Guthrie and Mathews (1985). Recently, researchers have started focusing on the CSR practices of developing countries such as Bangladesh, Malaysia, Singapore, India, Indonesia, Thailand, Nigeria and Uganda like Basalamah and Jermias (2005); Belal (2001); Chapel and Jeremy (2005); Kuasirikun and Sherer (2004); Md Zabid and

Ibrahim (2002). These studies had investigated the CSR practices of top companies in each country.

Studying CSR through the lens of the annual reports of the companies had been conducted more often both in the western world as well as in the Asian countries as compared to web-based study of CSR, since annual reports are still considered to be the most relied upon document, Belal (2001); Kuasirikun and Sherer (2004); Basalamah and Jermias (2005); Branco and Rodrigues (2006).

With respect to India, a study on CSR was conducted by Hegde et al. (1997), which was a case study of the Steel Authority of India Limited (SAIL) a public sector manufacturing company. SAIL had a social balance sheet and income statement. They reported on human resources. Hossain & Reaz, (2007) examined determinants of voluntary disclosure in annual reports for Indian banking companies. The empirical results, based on a sample of 38 banking companies, show that corporate size and assets in-place are significantly associated with disclosure, while corporate age, multiple exchange listing, business complexity, and board composition (percentage of non-executive directors) are not associated with disclosure. The above discussions shows that there has been growing interest among researchers on CSR literature and communication in the context of Asian countries in recent years, but very little investigation has been done to study the nature and extent of web-based CSR communications by analyzing their websites and the annual reports.

Besides the 2009 report of Karmayog, a Mumbai-based online organization, disclosed that while 51 % of Indian companies practice CSR in some form, only 2 % publishes a separate sustainability report, and only 3 % report the amount they spent on CSR. The Emerging Markets Disclosure (EMD) Project of the US-based Social Investment Forum (SIF), Lessons Learned: The Emerging Markets Disclosure Project, 2008–2012, showed that Indian companies were among those in emerging markets with the lowest disclosure rate on CSR rating and in adhering to CSR benchmarks and goals. The present study would therefore attempt to fill this gap by exploring the nature and extent of CSR disclosure and communication by a select group of private sector companies in India through "the lens of corporate websites" taking rate of growth of turnover as the parameter. Besides, the study also intends to addresses the following research questions.

- How prominent is CSR communication on the corporate websites?
- In what manner CSR information had been disclosed and communicated to the stakeholders?
- What additional information have the companies tried to communicate to the stakeholders pertaining to their CSR activities?
- Has substantial information been disclosed by the companies with respect to their CSR involvement?
- What were the dominant fields of activities that the companies in this sector are involved in?
- What was the extent of information that the companies had disclosed with respect to their field of activities?

5.3   Methodology

5.3.1   Study Design

An empirical and analytical study was undertaken to address the research problems. The study helped us in understanding the various characteristics of CSR and its communication by the companies. This study treated CSR communication and action as being interrelated rather than mutually exclusive functions. We adhered to the following explanation offered by Fukukawa and Moon (2004):

The communication of CSR does not necessarily denote activity, and the activity levels that lie behind the communication may well vary. By the same token, the absence of communication of CSR does not necessarily indicate non-activity. However, in the light of the assumption that reporting, transparency and accountability are part and parcel of CSR, there is reason to expect increasing congruence between communication and action (p. 48). On similar lines the following explanation has also been given by Chambers et al. (2003): "the greater the extent of the reporting, the more engaged the company is with CSR and the more seriously it is taken therein" (p. 11) because they do attest to the amount of effort that a company has put in to communicate its commitment.

The study was based on secondary sources, i.e., by analyzing the corporate official websites of the companies along with the annual reports uploaded on the official websites of the companies for the period 2006–2007 to 2008–2009. Data with respect to the identified variables were then generated from such an analysis using Qualitative Document Analysis. Qualitative Document Analysis described the meanings, prominence and the theme of messages and emphasized the understanding of the organization as well as how it was presented. For this study, CSR has been defined as corporate discourse and/or programs that constitute (1) responsibility to the environment, and (2) responsibility to community development (Besser 1998). The array of terminology to be used within the broad CSR realm includes corporate social responsibility, corporate citizenship, stakeholder engagement, community development, social contribution, philanthropy, Waddock (2004). Six categories had been identified for the study. Detailed exposition of these categories is provided below.

Structure or Placement of CSR Information In this category we analyzed how the CSR section of the website had been divided. This would be an indication of communication prominence amongst the companies selected for our study. CSR is usually disclosed by the companies either in their home page or sections or subsections in the form of a link. For this category three variables were identified namely:-

- *"Primary link" to CSR information on their "corporate homepage"*
- "*Primary link" to CSR information in their "sections", and*
- *"Primary link" to CSR information in their "subsections".*

We assigned 1 if the primary link to CSR information had been disclosed on their corporate homepage and in its absence we assigned 0, similarly for the other two variables identified under this category.

Format of CSR Presentation With the help of this category we analyzed the website design and in what manner CSR information had been disclosed and communicated to the stakeholders. Under this category we had identified four variables namely:-

- *Format of CSR presentation is "primarily text",*
- *Format of CSR presentation is "primarily visual",*
- *Format of CSR presentation is "primarily multimedia" and*
- *Inclusion of "interactive features" in their CSR presentation.*

We assigned 1 if the format of their CSR presentation was textual, visual, multimedia or interactive. Otherwise we assigned 0.

Additional Resource Category Through this category we tried to examine if the companies had communicated any other information to the stakeholders pertaining to their CSR activities. The variables identified were as follows:-

- *Achievements/accolades*
- *Press News*
- *CSR event calendar*
- *CSR spotlights/news*
- *Testimonials*
- *Interviews/speeches*
- *CSR case studies/newsletters*

We assigned 1 if the companies disclosed any additional information with respect to their CSR activities and in its absence we assigned 0.

Content Category Through this category we analyzed the richness of the content provided by the companies with respect to their CSR involvement. This category was divided into *two parts*. The *first part* was dedicated to explore how the companies were carrying on their CSR activities and whether they were providing substantial information about it in their corporate websites. The variables identified for this part were:-

- *Disclosure of CSR information by the companies through sustainability or CSR reports*
- *Pursuit of CSR activities by the companies through foundations/trusts/NGOs/ government partnerships*
- *Sharing of financial information by the companies with respect to their CSR activities*
- *Disclosure by the companies of the number of beneficiaries that were benefitting from their activities*
- We assigned 1 if the companies answered in the affirmative and 0 otherwise.

The second part explored the field of activities that they were involved in as a part of their CSR involvement. So the attributes identified under this part were:-

- *The field of activity/activities engaged in by the companies and disclosed in their corporate websites.*
- *Whether the companies have communicated their responsiveness to the society in the various segments of the annual reports.*

We assigned 1 if the fields of activities were disclosed in their corporate websites, otherwise we assigned 0.

Extent of Information This category enabled us to analyze the extent to which the select groups of private sector companies have disclosed their proactiveness/responsiveness towards CSR in general as well as in terms of various CSR activities. Units of analysis under qualitative document analysis may be number of words, phrases, characters, lines, sentences, pages or proportion of pages devoted to different categories of social disclosure, Unerman (2000). For this study we used *"number of sentences"* as the unit for measurement of CSR, since sentences provided complete, meaningful and reliable information for further analysis, Milne and Adler (1999). To analyze this category we divided it into *three parts*. In the *first part* we calculated the numbers of sentences the companies have dedicated to describe about the CSR activities adopted by them and communicated in their corporate websites. In the *second part* we calculated the numbers of sentences the companies have dedicated to describe about their responsiveness towards CSR in general in the various segments of their annual reports. In the *third part* we calculated the numbers of sentences the companies have dedicated to describe about their responsiveness towards CSR activities in the various segments of their annual reports.

5.3.2 Selection Frame

Top 500 private sector companies were selected from the BT 500 list published in Business Today, belonging to the India Today Group, for the years 2006–2007, 2007–2008 and 2008–2009 as per average market capitalization. Market capitalization refers to stock price multiplied by the number of outstanding shares. To arrive at the list of India's most valuable companies, BT relied on the Center for Monitoring Indian Economy's (CMIE's) Corporate Database Prowess for all the years under consideration, for the study. Average market capitalization was chosen to rank the 500 most valuable companies since this parameter gives us an indication of not only the present but future prospects of the company as well. Now from the list of 500 most valuable companies for the years 2006–2007, 2007–2008 and 2008–2009, the common companies which had succeeded in maintaining its rank and position within the list of "500 most valuable companies" for all the three years were selected. The total data set consisted of 329 companies. From this total data set, companies with negative or declining turnover were excluded. After exclusion the comprehensive list (select data set) consisted of 208 companies. The companies

Table 5.1 Company profile

Return on turnover	CSR companies (%)	NON–CSR companies (%)
Total no of companies (50)	72	28

(select data set) were grouped and ranked on the basis of **Growth rate of turnover**. The rate of growth of turnover was calculated as follows: $\sqrt{\dfrac{b^3}{b^1}} - 1$, where, b_3 denotes turnover for the year 2008–2009, b_1 denotes turnover for the year 2006–2007.

The 208 companies which constituted the select data set were ranked on the basis of the rate of growth of turnover, in the descending order. They were then divided into decile groups consisting of 21 companies each, i.e. 10 % of the select data set. For the purpose of this paper we have analyzed only the first 50 private sector companies ranked on the basis of the above parameter.

5.3.3 Methodology

For *Placement of CSR information* we calculated the proportion of companies with respect to all the attributes identified (see Sect. 3.2).With respect to *Format of CSR presentation Category* we calculated the proportion of companies, with respect to all the attributes identified (see Sect. 3.2).Regarding *Additional Resource Category* we calculated the proportion of companies with respect to all the attributes identified (see Sect. 3.2). To *analyze the richness of the content* provided by the companies with respect to their CSR involvement for each of the attributes we calculated the proportion of companies (see Sect. 3.2). With respect to communication of *general CSR information* in the various segments of the annual reports, *the field of activity/ activities* engaged in by the companies and disclosed in their corporate websites and *the field of activity/activities* engaged in by the companies and disclosed in their annual reports the proportion of companies was calculated (Table 5.1).

Regarding the *Extent of Information Category* we divided it into *three parts*. In the first part we calculated the proportion of each CSR activity in relation to the total sentences disclosed by the select data set on corporate websites and also calculated the average sentences the companies have dedicated to describe about the CSR activities adopted by them and communicated in their corporate websites. In the second part we calculated proportion of CSR Information in relation to the total sentences disclosed by the select data set in the various segments of their annual reports and also calculated the average sentences (mean) spent to describe about their responsiveness towards CSR in the various segments of their annual report. In the *third part* we calculated the average sentences (mean) spent on the various fields of CSR activities disclosed by the companies in their annual reports (see Sect. 3.2).

5.4 Observations and Analysis

5.4.1 Company Profile

The corporate websites of the selected companies were studied. Where CSR information was found, the companies were labeled "CSR Companies" If a company failed to disclose any CSR information on its corporate website or in case of global companies if the information was found only on the global website (as opposed to it India specific section/site), the companies were listed as "others". We observe that out of 50 companies, 14 had not disclosed and communicated any CSR information i.e. 28 %. The Company profile has been given in Table A1 (See Annexure 1).

5.4.2 Structure/Placement of CSR Information

CSR is usually disclosed by the companies either in their home page or sections or subsections in the form of a link. Accessibility of CSR information is dependent on the placement of CSR information in the form of links by the companies either on the home page itself or in sections or subsections. Out of 50 companies, only 38 % had their CSR information disclosed on their home page. 30 % of the companies had their primary link for CSR in their "about us", or "Corporate" or "Our company" or "Know about" section which was a part of their home page. About 8 % had their CSR link in their "Investor relation" sections. The structure/placement of CSR information has been presented in Table 5.2. A graphical representation has been presented in Fig. 5.1.

5.4.3 Interface of CSR Presentation

CSR sections of each of the selected companies were analyzed for the format of presentation employed. Table 5.3 shows us an overall picture of the companies analyzed under the Interface Category. our analysis showed that 72 % had used primarily text to communicate their social responsibility, making it the most favourable format. 46 % of the companies had used "primarily visual" format for CSR communication. The websites were also analyzed for interactivity and only 8 % had disclosed contact address of their wings or foundations which carried on their CSR activities and invited feedback from the stakeholders. This had been presented below in Table 5.3 and its graphical representation has been made in Fig. 5.2.

Table 5.2 Structure/placement of CSR information

Return on turnover	Home Page (%)	Section (%)	Subsection (%)	Non CSR (%)
Total no of compa-nies (50)	34	30	8	28
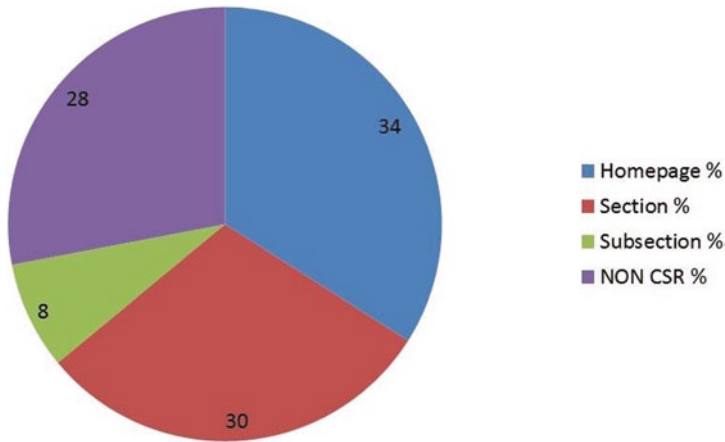
Fig. 5.1 Structure/placement of CSR information

Table 5.3 Interface of CSR presentation

Return on turnover	Textual (%)	Visual (%)	Multimedia (%)	Interactive (%)
Total no of companies (50)	72	46	4	8
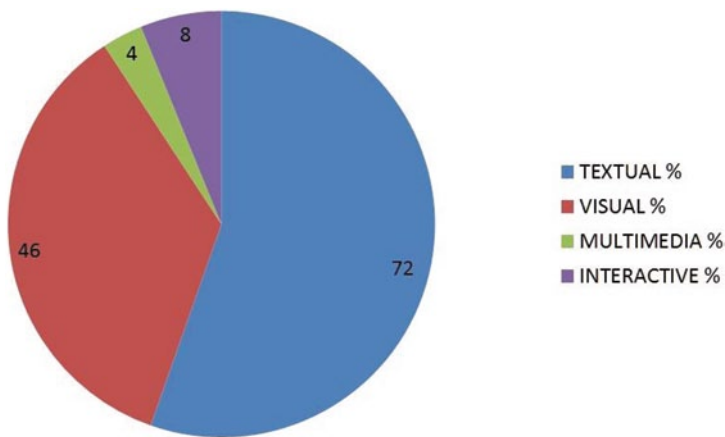
Fig. 5.2 Interface of CSR presentation

Table 5.4 Additional resource category

Return on turnover	Accolades/ achieve- ments (%)	Press news (%)	CSR event calendar (%)	CSR spotlights (%)	Testimoni- als (%)	Inter- views/ speeches (%)	CSR case studies/news letters (%)
Total no of companies (50)	24	16	2	0	12	2	12
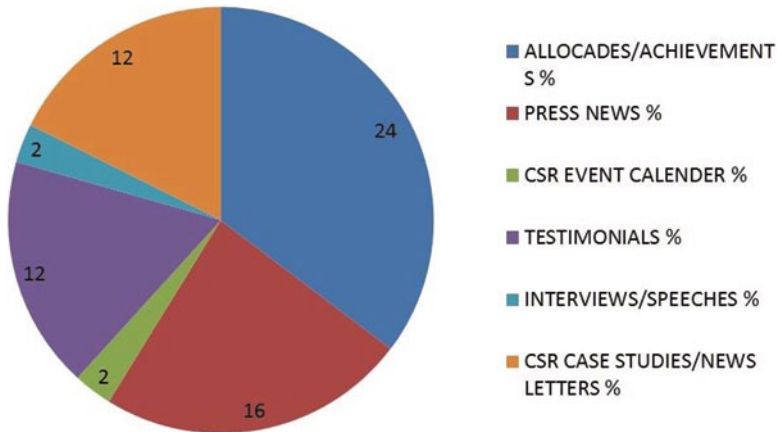
Fig. 5.3 Additional resource category

5.4.4 Additional Resource Category

In this category we analyzed what additional information the companies were providing to communicate about their social responsiveness to the stakeholders. A thorough analysis of the CSR presentations made by companies on the internet brought us to the conclusion that 24 % had disclosed their accolades and achievements, 16 % had disclosed "Press news", highlighting about their contributions to the society, 12 % had disclosed testimonials from their stakeholders regarding the extent to which they had benefited and 12 % companies had shared their CSR case study. The least preferred disclosure was with respect to CSR spotlight. The overall picture of the additional resource category has been shown in Table 5.4. Its graphical representation has been made in Fig. 5.3.

5.4.5 Content Category

In this category we analyzed the richness of the content provided by the companies with respect to their CSR involvements as shown in Table 5.5. According to Table 5.5, only 4 % had disclosed and communicated their CSR/ sustainability re-

Table 5.5 Content category

Return on turnover	CSR reports/ sustainability reports (%)	Partnerships (%)	Financial information (%)	No of beneficiaries (%)
Total no of companies (50)	4	36	2	16
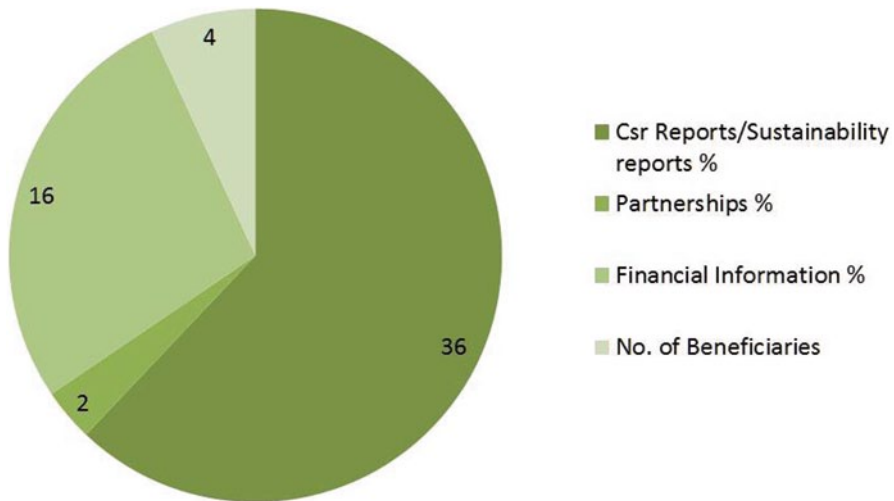
Fig. 5.4 Content category

ports which were very low. 36 % had disclosed their partnerships through which they carried on their CSR activities. The activities were carried on mostly by their own foundations or through NGOs. A further study showed that disclosure of financial information was least preferred attribute. 16 % had disclosed the number of beneficiaries benefiting out of their CSR activities. Its graphical representation has been made in Fig. 5.4.

Table 5.6 gives us the field of CSR activities the selected companies had disclosed on their corporate websites. After analyzing the corporate websites we had found that the companies had involved themselves mainly in the fields of education, environment, rural upliftment, employability & livelihood, health, women empowerment, disaster relief, drinking water and sanitation, urban development. Besides these, some companies had involved themselves in volunteering programmes, sports, raising funds, protection of art & culture which we have combined together and placed them as "other field of activities". The above mentioned fields of activities are crucial to the overall development of a country. Our analysis showed that in respect of these companies, environment and education seemed to be the most common field of CSR activity that they were engaged in. A graphical representation has been made in Fig. 5.5.

Table 5.6 Proportion of companies that have disclosed Information on the various CSR activities undertaken on corporate websites

Return on turnover	Educa-tion (%)	Health (%)	Envi-ronment (%)	Disas-ter relief (%)	Employ-ability & liveli-hood (%)	Drink-ing water & sanita-tion (%)	Rural uplift-ment (%)	Oth-ers (%)	Empow-erment (%)	Urban uplift-ment (%)
Total no of com-panies (50)	46	40	46	12	18	10	16	44	18	18
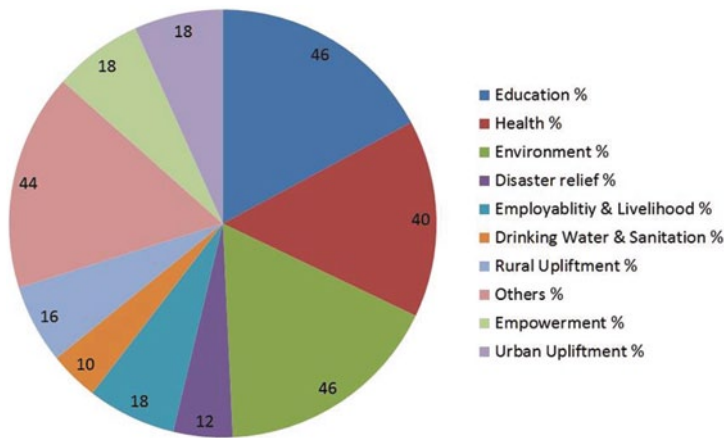
Fig. 5.5 Proportion of companies that have disclosed Information on the various CSR activities undertaken on corporate websites

Table 5.7 presents the proportion of companies that have disclosed CSR Information in the various segments of their Annual Reports. We observe from the table that highest proportion of companies was the highest with respect to disclosure of CSR information as a "separate section in the annual report", making it the most preferred segment. Only 2% disclosed CSR information in the "letter addressed by the CEO/CFO/ President" segment making it the least preferred segment. A graphical representation has been made in Fig. 5.6.

5.4.6 Extent of Information Category

From Tables 5.8 and 5.9 we observed that the select data set communicated their responsiveness towards environment (34.61%) and education (20.14%) the most.

Table 5.7 Proportion of companies that have disclosed CSR Information in the various segments of their annual reports

Return on turnover	CSR information disclosed in separate section present (%)	CSR Information in Chairman's/CEO's message present (%)	CSR information in directors report present (%)	CSR information in letter to shareholder present (%)	CSR information in letter from CEO/CFO/President present (%)	Management discussion & analysis present (%)
Total no of companies (50)	24	18	20	4	2	8
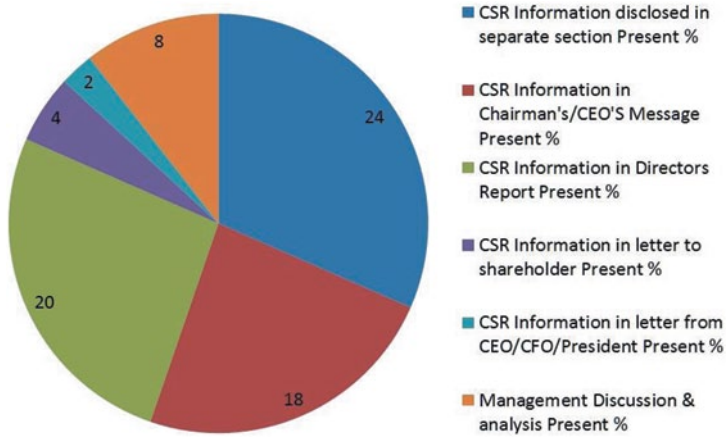
Fig. 5.6 Proportion of companies that have disclosed CSR Information in the various segments of their annual reports

Table 5.8 Proportion of each CSR activity in relation to the total sentences disclosed by the select data set on corporate websites

Return on turnover	Education (%)	Health (%)	environment (%)	Disaster relief (%)	Employ-ability (%)	Drinking water & sanitation (%)	Rural upliftment (%)	Others (%)	Empowerment (%)	Urban upliftment (%)
Total sentences (12395)	20.14	17.25	34.61	0.61	3.39	1.15	3.65	8.96	6.33	3.90

The average sentences devoted to communicate their commitment was the highest in case of environment with 85.8 followed by education with average sentences spent being 49.92. A graphical representation of both the tables has been made in Figs. 5.7a and b.

Table 5.9 Average sentence count of the field of CSR activities disclosed by the select data set on corporate websites

Return on turnover	Educa-tion	Health	envi-ron-ment	Disas-ter relief	Employ-ability	Drink-ing water & sani-tation	Rural uplift-ment	Others	Empow-erment	Urban uplift-ment
	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
Total no of com-panies (50)	49.92	42.76	85.8	1.5	8.4	2.86	9.06	22.22	15.7	9.68

From Tables 5.10 and 5.11 we observed that the select data set communicated their responsiveness towards CSR in the segment "separate section in the annual report" (53.78 %) and in "the Director's report" (22.52 %) the most. The average sentence devoted to communicate their commitment towards CSR was the highest in the segment "separate section in the annual report" with 41.5 followed by the segment on "the Director's report" with 17.38. This has been presented in Table 5.11. A graphical representation of both the tables has been made in Figs. 5.8 a and b.

In the third part we calculated the average sentences (mean) spent to describe about their responsiveness towards CSR activities in the various segments of their annual reports. This has been presented in Table 5.12. A graphical representation of both the tables has been made in Fig. 5.9. From the table above we observe that the average sentence devoted to communicate their commitment was the highest in case of environment with 15.66 followed by education with average sentences spent being 13.24

5.5 Learning, Future Directions and Limitations

Most of the companies have shown their preference for communicating their responsiveness towards CSR activities in their corporate homepage while the least preferred segment was "subsection". Most of the companies under different parameters have shown their preference for communicating their responsiveness towards CSR activities in the *"textual format"*. Communication by the companies of their responsiveness towards CSR activities in the *"multimedia format"* was the least preferred medium. The companies have rarely disclosed information with respect to *CSR spotlights/news. Achievements/Accolades* were observed to be the most preferred additional information that the companies had disclosed. The most preferred attribute amongst the companies under all the parameters with respect to the richness of the Content Category was observed to be *disclosure of pursuit CSR activities with/through the help of foundations/trusts/NGOs/government partner-*
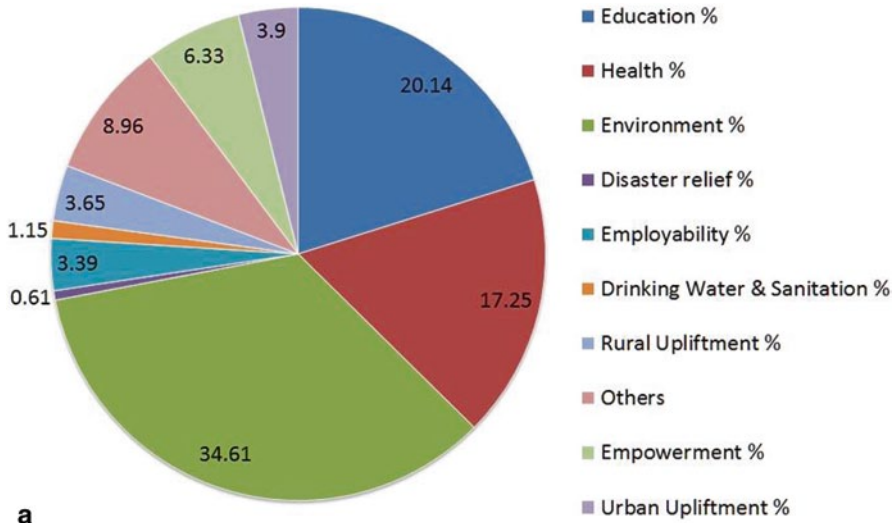
a
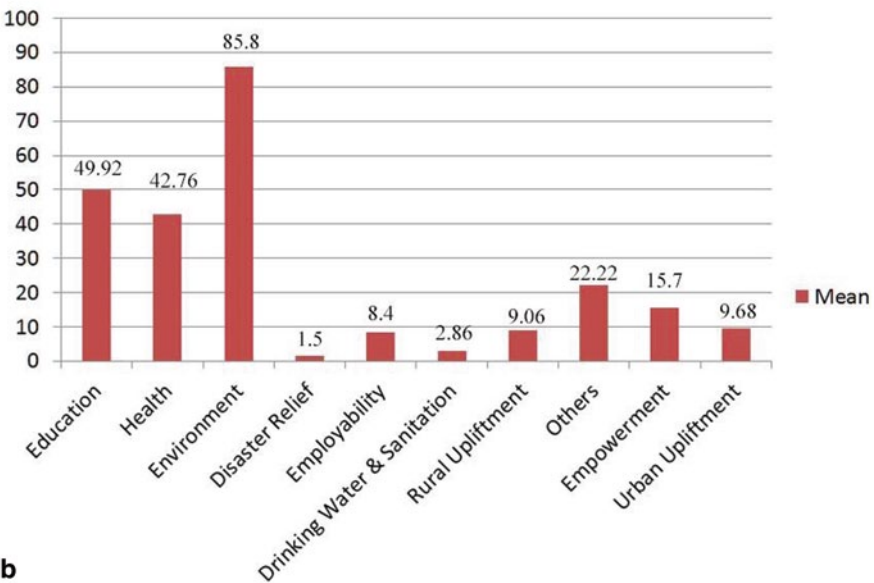
b

Fig. 5.7 a Proportion of each CSR activity in relation to the total sentences disclosed by the select data set on corporate websites. **b** Average sentence count of the field of CSR activities disclosed by the select data set on corporate websites

ships. The least preferred attribute amongst the companies under all the parameters with respect to the richness of the Content Category was observed *disclosure of financial information with respect to their CSR activities with their stakeholders.* The most preferred CSR activity that was disclosed by the companies under the

Table 5.10 Proportion of CSR information in relation to the total sentences disclosed by the select data set in the various segments of their annual reports

Return on turnover	CSR information disclosed in separate section present (%)	CSR information in Chairman's/CEO/s message present (%)	CSR information in directors report present (%)	CSR information in letter to shareholder present (%)	CSR information in letter from CEO/CFO/President present (%)	Management discussion & analysis present (%)
Total no of sentences (3858)	53.78	4.67	22.52	3.58	0.18	15

Table 5.11 Average sentence count of CSR information disclosed in the annual reports

Return on turnover	CSR information disclosed in separate section total lines	CSR information in Chairman's/CEO/s Message Total Lines	CSR Information in Directors report total lines	CSR information in letter to shareholder total lines	CSR information in letter from CEO/ CFO/ President total lines	Management discussion & analysis total lines
	Mean	Mean	Mean	Mean	Mean	Mean
Total no of companies (50)	41.5	3.6	17.38	2.76	0.14	11.58

various segments of the annual reports was Education, Health and Environment. The least preferred CSR activity that was disclosed by the companies under the various segments of the annual reports was Drinking Water and Sanitation. The segment *Disclosure of CSR information by the companies as a separate section in the annual report* was the most preferred segments for disclosure by the companies. *Disclosure of CSR* in the segment CSR Information in *letter from CEO/ CFO/President was* observed to be the least preferred segment. The select data set communicated their responsiveness towards *environment and education* the most both with respect to corporate websites and annual reports. The select data set communicated their responsiveness towards CSR in the segment *"separate section in the annual report"* the most.

Communication via interest offers a great platform for dialogue and interaction between a company and its stakeholders. It would indeed help the companies if they involve stakeholders in the formulation of CSR strategy and practice as a result of which they can develop long term relationships and also be successful in widening stakeholder influence. The selected companies can invest more thought and effort to create customized content for different stakeholders, provide clean vision for CSR, and add more meaningful information to their CSR sections. Besides it is always
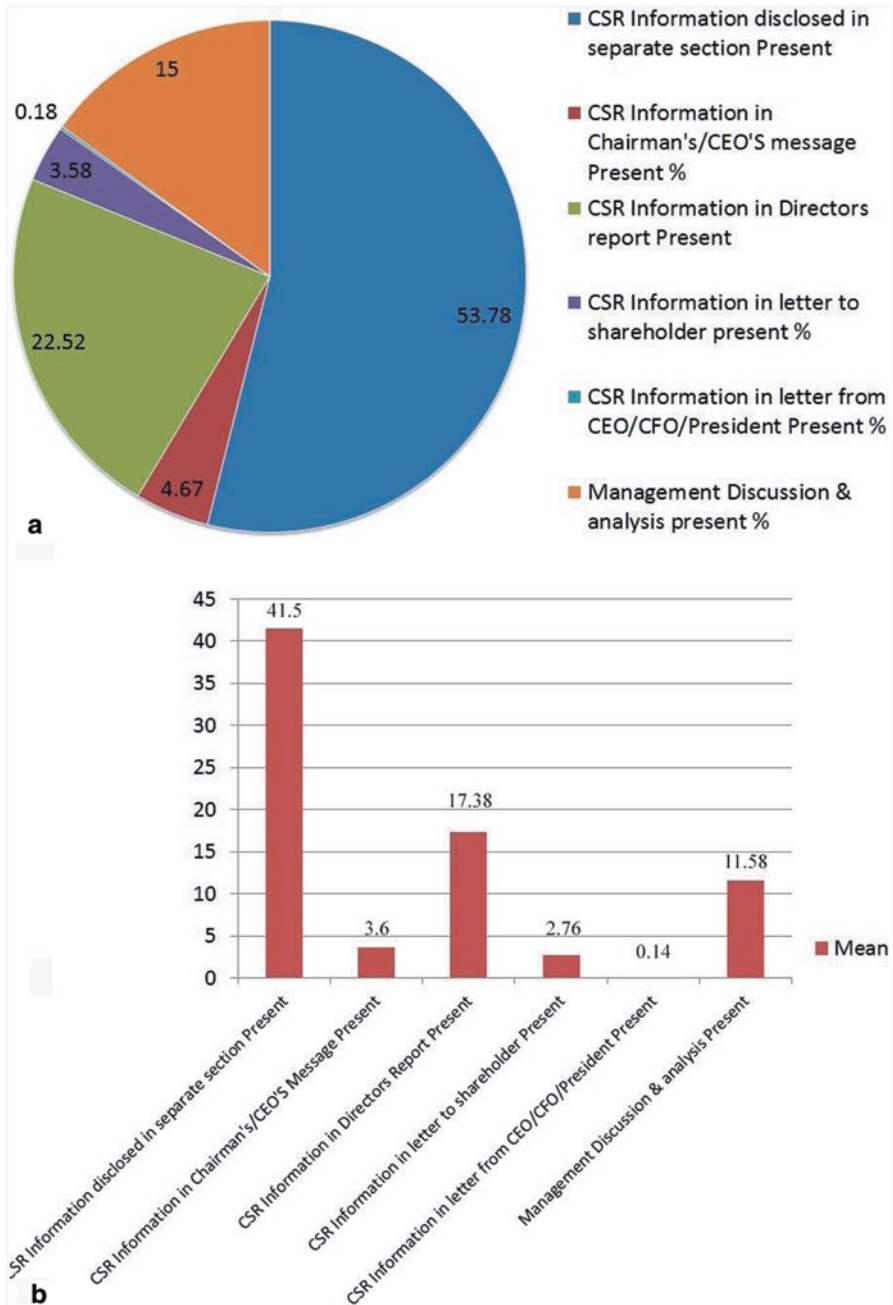
Fig. 5.8 **a** Proportion of CSR information in relation to the total sentences disclosed by the select data set in the various segments of their annual reports. **b** Average sentence count of CSR Information disclosed in the annual reports

Table 5.12 Average sentence count of the field of CSR activities disclosed by the select data set in the various segments of their annual reports

Return on turnover	Education	Health	environment	Disaster relief	Employ-ability	Drinking water & sanitation	Rural upliftment	Others	Empowerment	Urban upliftment
	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
Total no of companies (50)	13.24	4.46	15.66	0.32	1.32	0	2.44	5.94	3.7	3.3
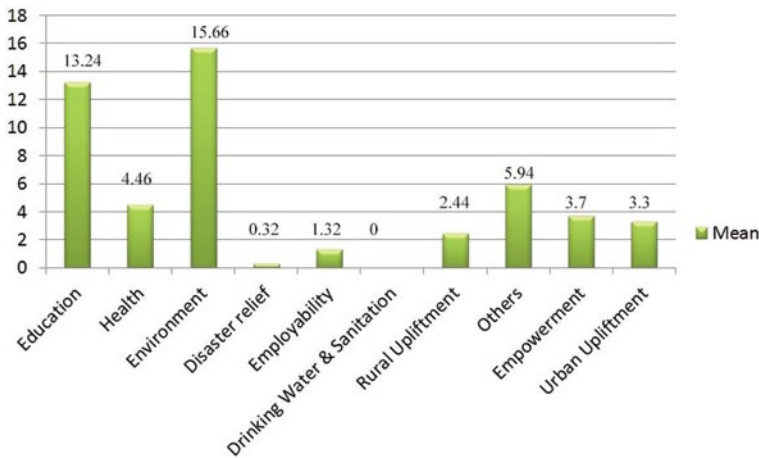
Fig. 5.9 Average sentence count of the field of CSR activities disclosed by the select data set in the various segments of their annual reports

beneficial to provide case studies of projects undertaken, challenges overcome and lessons learned.

However these findings should be interpreted while acknowledging the following limitations. Only the first 50 companies ranked on the basis of high rate of growth of turnover were taken Therefore, studying the remaining companies would further refine the results. This study may be extended further by classifying the companies on sectoral basis to facilitate a cross sector comparison of CSR communication. Case based studies would also be encouraging.

Annexure 1

Rank	Name of the companies	Growth rate of turnover	CSR company/others
1	Orbit Corporation.	2.90	CSR Company
2	Lanco Infratech.	2.52	CSR Company
3	HCL Info system	2.05	CSR Company
4	GMR Infrastructure	1.98	CSR Company
5	Educomp Solutions	1.92	CSR Company
6	Financial Technologies (India) Ltd.	1.70	CSR Company
7	Reliance Capital	1.54	CSR Company
8	Era Infra Engg	1.47	Others
9	Yes Bank	1.46	CSR Company
10	Torrent Power	1.44	CSR Company
11	Punj Lloyd	1.40	CSR Company
12	Ackruit City	1.39	CSR Company
13	KS Oils	1.393	CSR Company
14	Gujarat NRE Coke	1.391	CSR Company
15	Simplex Infrastructures	1.38	Others
16	DLF	1.32	CSR Company
17	Anant Raj Inds.	1.31	CSR Company
18	Bombay Rayon Fashions	1.304	Others
19	Shriram City Union Finance	1.303	Others
20	Shriram Transport Finance Company	1.295	Others
21	Crisilo	1.273	CSR Company
22	Jindal Drilling & Inds.	1.265	Others
23	Axis Bank	1.247	CSR Company
24	Sesa Goa	1.234	CSR Company
25	HBL Power Systems	1.183	CSR Company
26	HDFC Bank	1.172	CSR Company
27	Allcargo Global Logistics	1.155	CSR Company
28	Idia Cellular	1.152	Others
29	Texmaco	1.137	Others
30	AIA Engineering	1.133	CSR Company
31	Shree Renuka Sugar	1.131	CSR Company
32	EID-Parry (India)	1.1189	CSR Company
33	Binani Cement	1.1187	CSR Company
34	PSL	1.093	Others
35	Nava Bharat Ventures	1.090	CSR Company
36	Sadbhav Engineering	1.0862	CSR Company
37	Jindal Steel & Power	1.0861	CSR Company
38	Aban Offshore	1.0857	CSR Company
39	ICRA	1.0856	Others
40	Welspun-Gujarat Stahl Rohren	1.0761	CSR Company
41	Mundra Port & Special Economic Zone	1.0757	CSR Company
42	Amara Raja Batteries	1.0661	Others

Table A1 Company profile

Table A1 (continued)

Rank	Name of the companies	Growth rate of turnover	CSR company/others
43	IVRCL Infrastructure &Projects	1.0660	Others
44	Kotak Mahindra Bank	1.059	CSR Company
45	Zee News	1.053	CSR Company
46	Max India	1.049	CSR Company
747	Gtl	1.0327	CSR Company
48	Tata chemicals	1.0121	CSR Company
49	IL&FS Invest Managers	1.0039	Others
50	India Infoline	1.0010	CSR Company

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Chapter 6
Corporate Social Responsibility (CSR) and Entrepreneurship in India: Exploring the Landscape of Possibilities

Manoj K. Dash

Abstract The integration of Corporate Social Responsibility (CSR) practices into core business processes of companies has been very uneven. Most firms conceptualize CSR primarily as a tool to reduce risks and operational costs. Only a minority of firms is actually using CSR as a means to drive entrepreneurial innovation in the communities around its areas of operation. For a long time, academic discussions and debates on entrepreneurship has been part of either economic research or business strategy research. It is only during the last decade the subject has made its foray into social development agenda of business groups in India in driving economically beneficial models for the community based stakeholders.

Few Corporates have recently been investing in fostering innovative small entrepreneurial opportunities for realizing larger social goals of reducing poverty in families and contributing to inclusive human development goals like health, education, increased well-being and quality of life for people through integration of their business promotion activities with the larger market for achieving sustainability.

This paper takes the position that companies themselves being entrepreneurial entities would be strategically as well as attitudinally inclined and equipped towards creating entrepreneurial opportunities for individuals or groups of individuals. This strategy has the potential to be an integral part of their strategic CSR initiatives and should prompt other Corporates to innovate and create entrepreneurial opportunities for communities around them.

Keywords CSR • Indian CSR • Entrepreneurship • Stakeholders • Models for community based stakeholders • Community based CSR

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6.1   Introduction

"For us in business, I can see only one sure course to follow. Call it common sense, call it policy, call it anything you like. To my mind, industry must aim for, exist for and everlastingly operate for the good of the community. The community cannot ride one track and business another. The two are inseparable, interactive and interdependent."

Cleo F. Craig

President, AT&T, 1951–1956

Businesses are crucial members of society. In fact, many are also significant social institutions. The decisions they make and the actions they take impact society. Society depends on businesses in their provision of jobs, investment, goods and services produced, and development of new technologies. Thus, business has become a profound driver of employment, investment and wealth creation within society. In addition, business may also impact society beyond its obvious economic influence (UNESCAP 2009).

By the same token, no business operates in a vacuum. It interacts with a variety of societal forces such as employees, customers, communities, business partners, investors, governments, media, universities, and many more. Companies depend on support and resources from these groups throughout society. They supply business with labor and access to natural resources. Revenue is generated when society members purchase products and/or services produced by the business, along with a host of other types of support. For example, education, healthcare and equal opportunity are essential to a productive workforce.

Efficient utilization of land, water, energy and other natural resources makes business more productive. Good governance and the rule of law, and property rights are essential for efficiency and innovation. Ultimately, a healthy society leads to expanding demand for business, as more human needs are met and aspirations grow. Without positive support from society, it would be very difficult for businesses to operate smoothly or even survive. Any business that pursues its ends at the expense of the society in which it operates will find its success to be ultimately temporary (Ibid).

6.2   Visiting the Points of Intersection and Integration

The interdependence between a company and society takes two forms. First, a company impinges upon society through its operations in the normal course of business: These are ***inside-out linkages*** (Porter and Kramer 2006).

Virtually every activity in a company's value chain touches on the communities in which the firm operates, creating either positive or negative social consequences. While companies are increasingly aware of the social impact of their activities (such as hiring practices, emissions, and waste disposal), these impacts can be more subtle

and variable than many managers realize. For one thing, they depend on location. The same manufacturing operation will have very different social consequences in China than in the United States.

A company's impact on society also changes over time, as social standards evolve and with progress in science and other fields of endeavor. Asbestos, now understood as a serious health risk, was thought to be safe in the early 1900s, given the scientific knowledge then available. Evidence of its risks gradually mounted for more than 50 years before any company was held liable for the harms it can cause. Many firms that failed to anticipate the consequences of this evolving body of research have been bankrupted by the results. No longer can companies be content to monitor only the obvious social impacts of today. Without a careful process for identifying evolving social effects of tomorrow, firms may risk their very survival (Ibid).

Not only does corporate activity affect society, but external social conditions also influence corporations, for better or for worse. These are ***outside-in linkages***. Every company operates within a competitive context, which significantly affects its ability to carry out its strategy, especially in the long run. Social conditions form a key part of this context. The competitive context garners far less attention than value chain impacts but can have far greater strategic importance for both companies and societies. Ensuring the health of the competitive context benefits both the company and the community.

Competitive context can be divided into four broad areas: first, the quantity and quality of available business inputs—for example, human resources or transportation infrastructure. The second consists of the rules and incentives that govern competition-such as policies that protect intellectual property, ensure transparency, safeguard against corruption, and encourage investment. The third aspect of competitive context is the size and sophistication of local demand, which is influenced by such things as standards for product quality and safety, consumer rights, and fairness in government purchasing. Lastly, it is the local availability of supporting industries, such as service providers and machinery producers.

Any and all of these aspects of competitive context are potential opportunities for CSR initiatives. The ability to recruit appropriate human resources, for example, may depend on a number of social factors that companies can influence, such as the local educational system, the availability of housing, the existence of discrimination (which limits the pool of workers), and the adequacy of the public health infrastructure (Ibid).

Social issues that yield an unambiguous business gain are at the heart of the concept of corporate and social integration. Fundamentally, companies must evaluate potential social issues on which a company would be able to take a distinct leadership role, thereby bringing about a paradigm shift in which social challenges are met through business leadership. Quite naturally, one of the most suitable areas that a business can address while attempting to alleviate social challenges is fostering entrepreneurship and working on various forward as well as backward linkages having potential to create shared value.

6.3 Focusing on the Social Challenge that must be Addressed

No business alone has the capacity to solve all of society's problems or bear the cost of doing so. Instead, each company must select issues that intersect with its particular business. Other social agendas are best left to those companies in other industries, NGOs, or government institutions that are better positioned to address them. The essential test that should guide CSR is not merely whether a cause is worthy but also whether it presents an opportunity to create shared value: that is, a meaningful benefit for society that is also valuable to the business. This falls in the domain of *Strategic CSR* in contrast to *Responsive CSR*.

A business entity's '*Responsive*' CSR has two elements: acting as a good corporate citizen and mitigating adverse or anticipated adverse effects from the business activity, essentially from company operations. This form of CSR is inherently limited, however, because it remains incidental to the company's business. *'Strategic'* CSR, on the other hand, aims at achieving large and distinctive social and business benefits from a strategically focused set of initiatives (Carlisle and Faulkner 2004; Crawford and Scarletta 2005). The activities or programs leading to promoting or supporting entrepreneurship fall in the latter category as it has enormous potential to create winning situations for both social as well as business domains.

Corporate entities being living working examples of entrepreneurship are better suited to promote entrepreneurial activities in the stakeholder communities, which will lead to better and inclusive economic growth opportunities as well as increased mutual benefits. What types of entrepreneurship models would businesses be able to create as well as support? How can these entrepreneurship experiments be made sustainable by creating mutual benefits? These are the two most important issues that need to be addressed before looking into how a few companies in India have successfully promoted some entrepreneurial ventures in different parts of the country. Before proceeding further it would be pertinent to look at the concept and types of entrepreneurship that could be supported through strategic CSR innovations.

6.4 Concept of Entrepreneurship

Entrepreneurship has been defined as the discovery and profitable exploitation of (hitherto unrealized) opportunities to create new competitive space. The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and Venkataraman 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity. Entrepreneurship—the entrepreneurial function—can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of

a new organization (Reynolds 2005). Due to the fact that there is no market for 'opportunities', the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. The downside to the market of "ideas" or "opportunities" lies in the difficulty involved in protecting ownership rights of ideas that are not associated with patents or copyrights of the different expectations held by entrepreneurs and investors on the economic value of ideas and business opportunities, and of the entrepreneur's need to withhold information that may affect the value of the project. Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways: (a) by identifying, assessing and exploiting business opportunities; (b) by creating new firms and/or renewing existing ones by making them more dynamic; and (c) by driving the economy forward—through innovation, competence, job creation; and by generally improving the well-being of society. When referring to entrepreneurs, there is normally a differentiation between individual entrepreneurs or businessmen (independent) and corporate entrepreneurs or businessmen associated with the higher echelons of a firm's management.

6.5   Corporate Social Responsibility (CSR) and Support to Entrepreneurship

In an intensely developing phase of CSR philosophy a noted economist Milton Friedman remarked that "The Social Responsibility of Business is to Increase its Profits" (The New York Times Magazine, September 13, 1970). At that time, many believed that Friedman's argument, which was heavily loaded against CSR initiatives by companies, would render a deadly blow to the very concept of CSR. Unfortunately for Milton Friedman, corporate social responsibility has lasted long enough and has come to be considered a fully-fledged strategy integral to a business that wishes to succeed in the contemporary socio-economic climate.

Noted modern management experts like Drucker contended that one of Friedman's main focal points—that a business should be focused on increasing its profits to benefit a society best, is also a shallow evaluation of the business' responsibilities. He said, *"Economic performance is the first responsibility of a business. A business that does not show a profit at least equal to its cost of capital is socially irresponsible. It wastes society's resources…But economic performance is not the sole responsibility of a business…Power must always be balanced by responsibility; otherwise it becomes tyranny"* (Drucker 1993).

In this contemporary world of CSR beliefs, a situation has emerged which strongly reinforces the argument that it is in business's long-term self-interest to be socially responsible. Worldwide, corporations now understand the circumstances of the different CSR initiatives and endeavor to pursue those activities that distinctly demonstrate a convergence between the firm's economic objectives and the social objectives of society. There is now an increasing realization in the corporate world that successful corporations require to exist in a healthy society. Education, health

care, and equal opportunity are essential to a productive workforce. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Ultimately, a healthy society creates expanding demand for business as more human needs are met and aspirations grow. Any business that pursues its ends at the expense of the society in which it operates will find its success to be illusory and, ultimately, temporary. At the same time, a healthy society also needs successful businesses to grow. No social program can rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time (Porter and Kramer 2006).

Every company operates within a competitive context, which significantly affects its ability to carry out its strategy, especially in the long run. Stable social conditions form a key aspect of the context. Strategies that support innovations to benefit both society and business can bring about a transformative change in ensuring that the objectives that both businesses and society pursue can effectively and, to a large extent, be met through different types of entrepreneurial activities (Ibid). For example, Companies, particularly large ones, can have a much greater impact on the *Base-of-the-Pyramid* (BoP) by contributing to the creation of more efficient markets and by complementing market institutions, rather than just selling products to the poor. In less developed countries, poverty alleviation can be accelerated through wealth creation, including access to jobs, healthcare, education, and vocational training, even before providing access to consumable goods and services that improve the quality of life of the poor. In building wealth, business models must create mechanisms to deal with following challenges:

- Increasing the productivity and real income of the poor.
- Enhancing job creation opportunities through direct employment or self-employment, supported by products and services that boost productivity.
- Moving away from the "traditional consumers" concept to the concept of "productive consumers."

Achievement of all these will primarily require businesses to develop various supportive conditions through entrepreneurship ventures along their value chain to impact its stakeholders. In India, a few companies have worked on these foundations and created enterprises that are examples of promoting enterprise among their stakeholders. Some notable instances are detailed below.

6.6 Entrepreneurial Promotion through CSR: Examples from the Field in India

New business models have focused mainly on cost structure, innovative distribution methods, and logistics. They have ignored the need to develop small businesses and corresponding market linkages to help underprivileged people participate in the economic development process. Productive corporate engagement at the Bottom of Pyramid (BoP) will require an in-depth understanding of the meaning of "market-

based solutions"; clarification of the types of markets (informal vs. organized markets); and understanding how companies can connect factory and such BoP markets to help create job or income opportunities.

Firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new products as well as markets. In many areas of the country poor have to pay more for products and services such as food, water, medication, credit, or telecommunication, than their middle or upper class compatriots. By engaging themselves in BoP centric thinking companies must target their product and marketing design as well as improve the distribution so as to bring down the premium that poor pay due to imperfections in the market and lack of bargaining skills as well as capacity. For example, in a country like India millions of poor people usually do not have a decent all weather dwelling unit. There are a number of cement manufacturing companies which have huge market base and reach all over India. They should devise ways and means to bring about a great deal of flexibility in prices through innovative business and marketing practices so that poor who haven't been able to construct a decent dwelling unit because of higher cement prices will be greatly assisted by such BoP oriented approach. The companies in turn can hugely enhance their penetration into the gigantic rural customer base thereby creating an impressive impact on their bottom-line.

How businesses address these issues depends on many factors, such as industry structure, company vision, size, location and ownership structure. The lessons learned from company experiences can serve as building blocks in achieving innovative, sustainable, inclusive and scalable solutions. A few notable examples from around the country are presented below.

6.6.1   Project Shakti of Hindustan Unilever Limited (HUL)

Hindustan Unilever's Shakti Entrepreneurial Programme helps women in rural India set up small businesses as direct-to-consumer retailers. The scheme equips women with business skills and a way out of poverty as well as creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers. In 2001 HUL initiated Project Shakti in Nalgonda district, Andhra Pradesh, to provide microcredit and to train women to become direct-to-home distributors through self-help groups (SHG's) in rural areas. A member of a SHG was selected as a Shakti entrepreneur (commonly referred as *'Shakti Amma'*) who received stocks from HUL's rural distributor. After being trained by the company, the Shakti entrepreneur sold the goods directly to consumers and retailers in the village.

Each Shakti entrepreneur usually serviced six to ten villages in the population strata of 1,000–2,000 people with four or five of HUL's major brands—Lifebuoy, Wheel, Pepsodent, Annapurna salt and Clinic Plus. Apart from these, other brands like Lux, Ponds, Nihar and *'3 Roses'* tea were also sold. The Shakti entrepreneurs were given HUL products on a 'cash and carry basis.' However, the local self-help

groups or banks provided them micro credit wherever required. Very soon Project Shakti was contributing up to 15 % of HUL sales in rural Andhra Pradesh. (siteresources.worldbank.org/SOUTHASIAEXT/…/hindustanlever.pdf).

Given the largeness of the country and general backwardness of its women in the specific context of earning substantially less than men when they take up income generating activities—either wage employment or self-employment—Project Shakti-like endeavor was designed to place all associated stakeholders in a win-win situation. This was so because, Project Shakti had a good understanding of the dynamics of hundreds of women's self-help groups (SHG's) that had come up due to initiatives taken by various government schemes as well as efforts of voluntary organizations towards women's empowerment. These groups were usually formed by women to help themselves save money and borrow from each other to avoid the excessive demands of unscrupulous moneylenders. The managers at HUL could recognize the potential of these groups and were keen to hasten it, while also giving the women in these groups a chance to earn a livelihood without having to do hard physical labor in the fields. Hindustan Lever made presentations at self-help group meetings in rural areas, initially in Andhra Pradesh, and exhorted women, to become direct-to-consumer sales distributors. The company provided self-help group women with training in selling, commercial knowledge and book-keeping, teaching them to become fully-fledged micro-entrepreneurs. When in rural India the idea of a woman venturing out of her home to sell products in other homes was considered an anathema, the challenge of building up the self-confidence and motivation of these underprivileged women as they came to terms with their *Shakti* status cannot be underestimated (Gupta 2012).

This unique model addressed some of the issues like poor road connectivity that had hitherto made a large number of markets inaccessible. In the past small, scattered markets like the ones the Shakti Ammas cover were uncovered because in conventional business models, it was unviable. Project Shakti operated in media dark areas where television advertising could never reach. It moved the marketplace frontline away from local outlets who would champion other products into the homes of families in the remotest of areas. The Shakti project stands out as an attempt to make prosperity and growth more inclusive and forge a win-win relationship with the communities and ecosystems in which a company operates. It benefited HUL by enabling it to: reach inaccessible/unviable markets; Communicate in media-dark regions; and influence potential customers through credible, local, one-to-one brand endorsers. It catalyzed community development by: creating livelihood opportunities for underprivileged women; improving awareness among them on health and hygiene; and empowering local community economically through dissemination of market related information (Ibid).

I-Shakti-Crossing the Border

Encouraged by the goodwill and success of Project Shakti, HUL launched an Internet-based rural information service in August 2003 called I-Shakti. This project

was also launched in Andhra Pradesh in association with the Sate Government's Rajiv Internet Village Program. I-Shakti was an IT-based rural information service that provides vital information to the rural people in fields like agriculture, education, vocational training, health, hygiene and the like. The objective behind the I-Shakti model was to offer need-based demand-driven information and services in the villages. The I-Shakti kiosk was operated by the Shakti Entrepreneur. This was expected to strengthen their relationship with their customers. HUL expected that this would improve the productivity of the rural community and unlock economic and social progress. By 2010, Project Shakti had spread to 15 Indian states reaching 85,000 villages in 385 districts through 20,000 female entrepreneurs, or "*Shakti Ammas.*" The distribution network formed by these female entrepreneurs could, in the future, distribute condoms in rural areas. HUL estimated that by end 2010 the network would grow to around 100,000 trained women covering 50,000 villages and 600 million consumers. (siteresources.worldbank.org/SOUTHASIAEXT/…/ hindustanlever.pdf).

6.6.2   E-Choupal—A Sustainability Initiative of ITC

ITC launched 'e-Choupal' in June 2000. Today, 'e-Choupal' has become the largest initiative among all Internet-based interventions in rural India. 'e-Choupal' services today reach out to over 4 million farmers growing a range of crops—soyabean, coffee, wheat, rice, pulses, shrimp—in over 40,000 villages through 6,500 kiosks across ten states (Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerela and Tamil Nadu). While the farmers benefit through enhanced farm productivity and higher farm gate prices, ITC benefits from the lower net cost of procurement (despite offering better prices to the farmer) by having eliminated costs in the supply chain that do not add value. ITC set up a network of Information and Communication Technology (ICT) kiosks around the country in 2000, called e-Choupal (in northern India, 'choupal' means an open meeting place in a village). The aim of ITC was to 'build an intelligent first mile and a low cost last mile for agricultural products and services'. ICTs are the primary means of operationalizing this vision. Every e-Choupal centre is equipped with a computer, Internet connectivity through satellite technology and solar power. In addition, it provides access to a web portal with current agriculture commodity prices at the village level for produce transactions. Additionally, e-Choupal supports best practices in farming through training sessions, provides information on weather conditions, and supplies quality agricultural inputs like seeds and fertilisers. E-choupal centres form part of ITC's re-engineered sourcing network, assuring supply for the company while cutting costs through improving the efficiency of the procurement value chain, which also results in better margins for the farmer. Apart from buying agricultural produce, other services, including informational services, are provided with the help of this ICT backbone.

With an overall vision to improve the quality of life in rural India through a market-led business model, the e-Choupal program aims to enhance the returns on agriculture through the dual strategy of ICT-led improvements in production and procurement efficiencies. This is expected to, in turn, trigger a virtuous cycle of higher incomes, enlarged capacity for farmer risk management, larger investments and higher output quality. A strong focus on increasing rural incomes through ICT-led procurement is positioned as a way to unleash the latent demand for industrial and retail goods for fuelling the continued growth of the Indian economy. The economic development perspective lends weight to the need for the creation of ecology of strategic rural markets where products and services are especially targeted towards improving agricultural value-chains. Additionally, fast moving consumer goods (FMCGs), banking and insurance services are routed through the ITC channel, while quality retail products are provided at affordable prices with an accent on brand building. Through e-Choupal, procurement hubs and Choupal Sagars (a kind of rural supermarket), information and products in urban centres are made available at the rural level, thus reducing travel and time investments for rural populations. E-Choupal, therefore, seeks to leverage ICTs to integrate rural areas into large corporate markets, and thus hopes to improve earnings as well as both the quantity and quality of consumption in rural areas. Furthermore, ICT enabled empowerment of the local community will enable both their active and equal participation in the market as well as governance and development related activities.

Another path-breaking initiative—the 'Choupal Pradarshan Khet', brings the benefits of agricultural best practices to small and marginal farmers. Backed by intensive research and knowledge, this initiative provides Agri-extension services which are qualitatively superior and involves pro-active handholding of farmers to ensure productivity gains. The services are customized to meet local conditions, ensure timely availability of farm inputs (including credit), and provide a cluster of farmer schools for capturing indigenous knowledge. This initiative, which has covered over 70,000 ha, has a multiplier impact and reaches out to over 1.6 million farmers. (http://www.itcportal.com/itc-business/agri-business/e-choupal.aspx)

6.6.3   Solar Lanterns by The Energy and Resources Institute (TERI)

One of the challenges facing India today is to provide sustainable energy to all households. The task is enormous but solutions often come from small, localized initiatives. The Lighting a Billion Lives (LaBL) initiative launched by The Energy and Resources Institute (TERI) aims to replace kerosene-based lighting with cleaner, more efficient, and more reliable solar lighting devices. LaBL employs an entrepreneurial model of last mile energy delivery to establish micro solar-enterprises in un-electrified or poorly electrified villages. A local entrepreneur trained by TERI and its partner organizations provisions clean energy access to the community for an affordable fee.

What kind of benefits does one perceive when one talks about providing electricity to remote rural areas through this low-cost and green-energy model? One thinks of children studying or women doing household chores under improved conditions. However, lighting through solar lanterns under TERI's flagship Lighting a Billion Lives (LaBL) initiative—launched in February 2008—positively impacted several aspects of development, particularly in the areas of health, education, environment, women's empowerment as well as rural development and went beyond the conventional benefits to catalyze all-round socio-economic development. LaBL has been able to cover 1860 villages, across 22 Indian states and impacted around half-a-million lives in the field, creating hundreds of green-jobs and has seen offshoots like innovative financing and strategic partnerships develop to support the initiative. (http://www.teriin.org/index.php?option=com_featurearticle&task=details&sid=701)

Dandapadia and Talapadia, two villages in Odisha where The Energy and Resources Institute (TERI) has set up solar charging stations under the LaBL campaign, stand testimony to the above. The solar lanterns have become an inextricable part of the lives of inhabitants here. The two villages are situated in the Tangi Chowdhwar block of Cuttack district. Recognizing the need for a cleaner and more reliable lighting facility, TERI, with the help of a local NGO partner, 'SAMBANDH', set up charging stations in these villages. This case study outlines some of the unconventional benefits that characterize the revolution that lighting has brought in people's lives.

TERI is executing this model that incubates and fosters entrepreneurship leading to creation of numerous livelihood opportunities by aligning its CSR initiatives with that of several national and global companies.

- **Livelihood Enhancement:** Access to clean and better quality lighting directly contributes to an increase in income, simply by adding more productive hours to the day. The villagers can now dedicate more hours to pursuing vocations like mat leaf plates, bamboo mats and basket and plate making from Sal leaves, tailoring, and can also work much better and faster. These are additional sources of income for them, since farming is both seasonal and dependent on the monsoon. The establishment of LaBL's charging station in the villages now enables them to put in at least three extra hours every day. This has resulted in their incomes doubling. In most cases, the extra income is being spent on the education of the villagers' children. It is heartening to note the cascading effect of the changes across different spheres.
- **Change in Gender Dynamics:** In order to achieve all-inclusive growth, TERI encourages more and more women to come forward as entrepreneurs and run the solar charging stations. In an encouraging response, women have come forward to play the role of change-makers in their villages in large numbers. This has ensured that the focus remains on lighting-related needs of women. Light has enabled these women to voice their concerns and needs and aids their mobility after dark since their security is no longer a concern.

- **A New Found Pride:** Parbati is an enterprising lady operator of the LaBL solar lantern charging station in Dandapadia. She also supports her husband in running his grocery store. Parbati agrees that her status within the village has changed for the better, and adds that she feels more confident in voicing her opinions during the village meetings. Indeed, she has become a household name now. She proudly echoes her sense of achievement when almost the entire village comes to her doorstep to drop their lanterns off for recharging every morning. She feels that she is doing her bit for the village folk.

The parts of rural India that do not have access to electricity from the grid is dependent on solar lamps for lighting. TERI, under its flagship project "Lighting a Billion Lives" (LaBL) launched in 2010, unveiled new models of solar lanterns jointly designed and developed by TERI and its technology partners. In this venture companies like Nichia Japan, Texas Instruments USA, Amara Raja and Regnant Lighting, are the technology partners for TERI. They have worked closely with manufacturers such as Sujana Energy, Kripa Lights, Avni Energy, BNK Energy Alternatives, Agni Power and so on.

These new solar lanterns are providing affordable lighting solutions, ensuring high quality illumination. The products are now available in the market at a price band of Rs. 1000/- to Rs. 1600/- per unit. The Solar lanterns are recharged at a village solar charging station and rented out to the villagers at a daily nominal cost. These charging stations, while ensuring quality services at affordable rate, also provide green jobs to local people who manage these stations; besides helping reduce consumption of subsidized kerosene substantially. There are five models of LED based lanterns which were tested in-house by TERI and are ready for rural lighting initiatives not only in India, but in other developing countries as well. The new lanterns have enhanced features such as super bright white LED light, low power consumption, 6V/4.5Ah SMF Lead acid battery with up to 7 h of run time with 50,000 h of LED life, and a solar charger capacity of 5 Wp and 3 Wp (http://energybusiness.in/solar-lantern-teri/). Along with lighting, the LaBL campaign aims to address similar other significant issues, which act as impediment to development, recognizing that the need is not only to light people's homes; it is to light their lives as well. It aims at promoting self-reliance and local entrepreneurship in rural areas. It is exhilarating to see how a simple intervention can completely change people's lives. It is amazing to notice the magnitude of positive change that lanterns have brought about in the lives of some of the most marginalized and remote communities of the country.

6.6.4   Titan Industries: Developing Local Industry Mixing Business and Development Objectives

Titan Industries Limited (TIL) started with producing watches. But the company has since diversified into jewellery and eyewear. TIL has always believed in returning wealth to the society it serves and has, therefore, started integrating CSR

considerations into its core business. This is reflected in the business plans for TIL. Along with more traditional elements, it refers to the provision of micro business opportunities and support to poor village women and individual jewellery artisans, employing people with disabilities, supporting educational initiatives and health care projects. Many of these aspirations are embodied in the company's activities focused on improving the livelihood of local women. The efforts were originally a program to combat female infanticide and improve the standard of living for women in Dharmapuri district in Tamil Nadu. Women were offered employment making bread and washing uniforms for factory workers. Since then, the program has developed into an entirely separate business and is now an important local supplier.

- **Transformation:** In 1995, Titan began working with an NGO, Myrada. Myrada assisted in identifying ways in which the women's skills and needs could be better matched to the core business of the company. As a result, a bracelet making unit was developed to produce bracelets that could be used as watch bands. Thus, a new market for bracelets was created for the business.

Titan provided training and worked with Myrada to source the necessary equipment. Following early successes, the initiative was converted into a privately held company run and owned by the women themselves, supported by further technical training and expertise from Titan. The company was called MEADOW (Management of Enterprise and Development of Women).

- **Transformative Step:** MEADOW is now owned by more than 200 women, including three female directors, who have been with the organization since it began. Profits are distributed equally amongst all employees with a significant amount added to a corpus fund to cover company needs and raise the living standards of the employees' families. The annual revision of piece rates are negotiated with Titan and the company now handles all purchases, work schedules, accounts as well as doing the base work for meeting all statutory requirements.

But, perhaps more importantly, the women of MEADOW have become important wage earners in their families. Twenty have gone on to complete higher education. Positive changes in the living standards and health of the community have been observed. This has had led to important changes in the lives of these women; they are no longer under pressure to marry at an early age and are increasingly consulted in family decisions. There are still challenges that the program will have to face—for instance, the need to potentially find other markets to reduce its dependency on Titan, potential competition from other markets and how the same principles can be applied throughout other areas of Titan's business.

However, the experience of MEADOW has proved that philanthropic aspirations can be achieved throughout the operations of the business and do not have to be limited to community donations. Success is dependent on a longer commitment of resources to help build the relationships and infrastructure required for success as well as the right community partners that bring the necessary expertise to the table which increases the chances of success. (http://www.article13.com/A13_ContentList.asp?strAction=GetPublication&PNID=1453)

6.6.5 Enterprise Promotion by Canara Bank

- **Rural Clinic Service:** Rural clinic service is a novel and unique rural health service scheme in vogue promoted by Canara Bank in 1983. The twin objectives of the scheme are to provide medical facilities to backward villages that do not have access to basic medical care and to provide self-employment opportunities amongst unemployed doctors to set-up their clinics in the remote backward villages. The scheme provides an opportunity to qualified doctors in Allopathy/Homeopathy/Ayurveda or any such other discipline of medicine recognized by the State or Central Government/Universities recognized by All India Medical Council/Board of respective disciplines. Under the scheme, qualified and willing doctors are assisted to operate a rural branch (regular or part-time) of a clinic for a period of one year. As per norms the doctors are entitled to an incentive and the cost of medicines for dispensing them free of cost to poor patients. The scheme is now implemented through rural branches of 31 circles of the Bank covering 18 states, during the year 2012–2013.
- **Mobile Sales Van:** Canara Bank also has sponsored Retail Mobile Marketing Vans for display-cum-sale of household products, articles produced by Self Help Groups, small entrepreneurs (women), artisans, self-employed women etc. in Bangalore city. This van is custom built high tech, solar powered, equipped with computerized billing and credit/debit card swiping machine. The marketing van is stationed in important locations of Bangalore to enable the citizens of the city to see and purchase the products manufactured by artisans and other underprivileged women entrepreneurs. Thus, Mobile Van provides a platform for publicity as well as a point of sale for products in the entire city instead of being restricted to just one area/locality. This is a hand holding effort by Canara Bank in support of Women entrepreneurs, SHG's and SHG members to support their respective entrepreneurial activities. (www.canarabank.com/english/…/RuralDevelopmentSchemes.aspx)

6.6.6 Analysis and Discussion

The examples described here clearly demonstrate that, by providing jobs, investing capital, purchasing goods, and doing business every day, corporations have a profound and positive influence on the underprivileged/excluded sections the stakeholder communities. The most important contribution that a corporation can make for any community is to facilitate its way into the market and other institutions of the economy. Governments and NGOs often forget this basic truth. Corporations have the know-how and the resources to change the prevailing rules of the game in economically disadvantaged communities. But this cannot excuse businesses that seek short-term profits deceptively or shirk the social consequences of their actions. CSR should not be only about what businesses have done that is wrong—important as that is. Nor should it be only about making philanthropic contributions to local

charities, lending a hand in times of disaster, or providing relief to society's needs—worthy though these contributions may be. Efforts to find shared values in operating practices and in the social dimensions of competitive context have the potential not only to foster economic and social development but to change the way companies and society think about each other. NGOs, governments, and companies must stop thinking in terms of "corporate social responsibility" and start thinking in terms of "corporate social integration."

Perceiving social responsibility as building shared value rather than as damage control or as a PR campaign will require dramatically different thinking in business. I am convinced, however, that CSR will become increasingly important to competitive success. Addressing social issues by creating shared value will lead to self-sustaining solutions that do not depend on private or government subsidies. When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution. It is also clear from the examples given above that the CSR initiatives of the profiled companies have promoted individual entrepreneurship rather than any corporate or institutional entrepreneurship in their respective spheres of operation. However, the literature available on this subject is scanty and not well developed. This raises certain management issues on the documentation of such important initiatives, especially when CSR is emerging as an important discipline of study, inquiry and human development. It is well known that most of the companies implementing CSR activities haven't strategically aligned their CSR policy with their core business objectives and therefore, do not promote entrepreneurial activities. For example, providing for treatment to poor patients by a company producing Steel may be a very good example of corporate philanthropy, but cannot be counted as Strategic CSR. In order to achieve that, the company must find opportunities along its Value Chain and make suitable innovations to promote business locally which would ultimately help the Company make its business sustainable and more profitable. In this context, it becomes all the more important that whatever few initiatives are taken by a handful of companies to promote local entrepreneurship through their CSR policies should be well documented to help researchers to explore the subject further and assist other industries to innovate and replicate the models already practiced on ground.

6.6.7 Conclusion

The foregoing discussions strengthen the basic position taken in this paper that, when the initiatives promote or assist business initiatives, CSR achieves multiple benefits both for the people and the organization supporting such initiatives. For the organization, the supply chain expands and develops strong roots while, for the people, it brings about a number of significant changes in their lives apart from increased income. The changes lead to self-reliance, increased recognition in the community and above all, inclusion in the market. These changes are transforma-

tive in their effects on the lives of marginalized individuals as well as groups. In the long run it also helps in expansion of business by penetrating into newly developed markets consisting of new consumers who have garnered strength from the supportive initiatives taken by companies through their CSR initiatives and programs.

The discussions also reinforce the idea that is propounded by several experts on the subject as well as from the enormous practical experience gained by the few companies practicing Strategic CSR that such integration of core business objectives with CSR strategies would be in the best interests of the world of business as well as the competitive context. Strategic CSR has the potential to trigger the changes that are favorable for the growth of businesses and the expansion of markets.

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Chapter 7
Shopping for CSR: An Indian Perspective of Implementing CSR in Retail

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Abstract This chapter concerns an Indian perspective of implementing CSR in the retail sector. We argue that CSR is pervasive and hence the newly expanding Indian retail sector is not excluded when it comes to CSR practices. In fact we argue that there is a greater need for CSR practices in this sector when compared to other sectors, with multiple stakeholders being involved. We make a case that these stakeholders would be affected with the entry of large foreign players. However, we also provide current evidence that the traditional domestic retailers, mostly part of large Indian conglomerates in India, are practicing unique, traditional and indigenous CSR, but also state that these practices could either converge or diverge with the new foreign entrants in the sector.

Keywords CSR • Indian CSR • Retail sector • Domestic retail • Indigenous CSR

7.1   Introduction

The last few decades have seen a radical change in the nature of the triangular relationship between companies, governments and society (Krishnan and Balachandran, n.d.). Increased social responsibility initiatives and reporting are pointing to an established norm to do good and an apparent transition from practicing CSR as an obligation to CSR as a strategy. Lantos (2001) observes that society's expectations from businesses have steadily risen over the past half century. At the Business for Social Responsibility Conference, 2003, Fiorina quoted that organizations are "learning that cutting-edge innovation and competitive advantage can result from weaving social and environmental considerations into business strategy" (Kotler

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and Lee 2005). Almost a decade later, at the 5th International CSR Conference in 2012 in Berlin, Germany, there was a special session on CSR in India and China, and a paper on CSR in Indian retail (Pereira and Patel 2012). This is evidence of the growing interest and importance of CSR in emerging markets.

Modern businesses cannot function as self-sufficient entities that remain unaffected by the welfare concerns of community and society. The relationship between companies and society has evolved over the years and has now reached a position where the mutual interest of all the stakeholders has gained utmost importance (Krishnan and Balachandran, n.d.). Companies are now realizing that, rather than focusing on business practices simply for profit, they also have to count on public goodwill and responsible business etiquettes to gain strategic advantage and to ensure sustainable existence (Tripathi 2008; Raynard and Forstater 2002).

As evident from the increasing number of academic publications and journals dedicated to the subject, the relevance of CSR is gaining recognition not only among businesses but also among other stakeholders. In a study conducted by McKinsey in 2007 across China, France, Germany, the UK, India, Japan and the US, it was found that nearly nine out of every ten consumers surveyed felt that businesses should strive to harmonize their financial imperatives with their moral duty towards society even if such an approach does not directly add to their profits. Yet, only about five out of every ten of the respondent consumers believed businesses actually make any significant social contributions (Bonini et al. 2007; Ramasamy and Yeung 2008). Similar results were revealed from the 2006 Cone Millenial Cause Study where nearly eight out of every ten respondents felt that it is the moral duty of businesses to support peoples' social and environmental aspirations (Cone Inc. 2006; Ramasamy and Yeung 2008).

Early CSR studies date back to the 1960s (Meehan et al. 2006) and have been the focus of much research in the past decade. In the 1980s and early 1990s, the key focus of CSR studies was organizations' involvement in causes that benefited society from the perspective of organizational goals (Margolis and Walsh 2001). Later studies focused on CSR as being driven by consumers, society and stakeholders (Brown and Dacin 1997; Marin and Ruiz 2007; Mohr and Webb 2005; Sen and Bhattacharya 2001).

In spite of the fact that these extensive studies have revealed the role of CSR and examined its importance in consumer decisions, a primary limitation of most of these studies is that they were carried out in a Western context. Few studies have examined CSR in Asia or India in particular. Culturally, societies in developing countries hold values that are completely different from those in developed countries (Walumbwa et al. 2007). It could be argued that the vast cultural differences that exist in our world make the universality of Western theories questionable (Hofstede 1980).

Being citizens of the world's largest democracy (population 1.2 billion), Indians enjoy the right to choose their own government. But, as is obvious in literature, until recently, a restricted system that manifested itself in the form of licensing laws prevented Indians from choosing what they wanted to buy. A dearth of incentives combined with exorbitant tariffs stifled imports and investments in manufacturing

and development of new products. A report by the McKinsey group on Indian retail observed that Indians could "buy any car as long as it was a Morris Oxford or a Fiat, any toothpaste as long as it was Colgate, any watch as long as it came from HMT, and any radio as long as it was produced by Philips" (Fernandes et al. 2000).

However, market liberalization sowed the seeds of a retail transformation in the past decade and increasingly aware and assertive consumers helped usher in a number of Indian and international operators who are now changing the face of Indian retail (Kalakoti and Pereira 2012). As India stands on the threshold of a huge socio-economic transition, the retail industry, which is a huge contributor to India's GDP and the largest employer after agriculture, will play a crucial role in driving growth (CII—AT Kearney 2006).

An important point to consider here is that the sheer size and scale of operations of big retailers may hit the vibrant Indian trading community which consists of over 15 million small retailers and lead to the demise of hundreds of small retail outlets (Ramchandran 2007). Although the investments from big retail chains are necessary to fuel development and to promote efficient and modern manufacturing and processing industries, the livelihoods of thousands of thousands of people could be affected in the long run unless appropriate action is taken (Ramchandran 2007).

Although big retail has existed in the Western world for nearly three decades, developing countries like India are still witnessing the emergence of organized retail as an industry. CSR is not a new concept in India; Indian corporate houses like the Tata group and the Aditya Birla group have a long and distinguished history of community service since their inception. However, CSR assumes importance in India today because of the fact that despite having a fast-growing economy, "socio-economic problems like illiteracy, lack of healthcare facilities, and poverty are still ubiquitous in society" (Sathish, undated.). This scenario is an opportunity for businesses to contribute to community and social development.

In the following sections, we first discuss CSR in India before turning to the implementation of CSR initiatives and the likely future consequences for India's developing retail industry.

7.2 CSR in India

India is one of the world's fastest growing economies with a rising share of FDI (Foreign Direct Investment) and the world's exports. While it remains home to a large population of poor people, the percentage of population below the poverty line is showing a gradual decline. Riding the wave of globalization, the Indian government is gradually rolling back regulations and restrictions which were preventing multinational companies from investing in India. CSR is still in its nascent stages in India and other emerging economies like Brazil, China, South Africa. Chapple and Moon (2005) show that the average extent of CSR penetration in seven Asian countries (including industrially advanced Japan) is just approximately 41 % compared to 98 % for the United Kingdom. However, amongst the Asian countries surveyed,

India had the highest penetration of CSR—72 % and 60 % by international and domestic companies respectively.

As a formal concept, CSR is still not widespread in India. But charity and philanthropy have deep-rooted connections with Indian culture (Ablett et al 2007; McKinsey Global Institute 2007). According to culture-fit theory (Kanungo et al. 1999, cited by Walumbwa et al. 2007), the socio-cultural environment or societal culture can influence individual behavior to the extent that values, perceptions, attitudes and behaviors are shaped by the larger societal values in which the individuals are embedded. This applies to businesses as well and such cultural influences are often difficult to change (Hofstede 1980). Indians are strongly influenced by mythology (Tharoor 1989) and tend to believe that philanthropy can lead to emancipation or a better life in the next birth (Kluckhorn and Strodtbeck 1961).

As early as in 1965, during the Prime Ministership of Lal Bahadur Shastri, a conference had brought together Indian politicians, business leaders and trade union leaders, and prominent social thinkers to promote periodic stakeholder communication, social liability, and governance mechanisms that make the organization answerable for its social impact (UNIDO 2002). India's CSR is partly founded on ancient religious customs and philanthropic traditions (Chapple and Moon 2005). Spirituality and CSR have had deep- rooted connections (Sagar and Singla 2004), but CSR can also be associated with the substantial experience of foreign firms from the colonial days to the present era of globalization (Chapple and Moon 2005).

Respect is an important part of Indian culture and is a much sought after tag in the Indian corporate world (Sagar and Singla 2004). The Most Respected Companies of India, a popular survey initiated by Business World, proves that Indian companies cannot earn the respect of its stakeholders only on the basis of strong financial records (The Business World 2009). The most respected Indian companies were not merely financially strong but also had an ethical approach and openness in their governance which meant that their investors and stakeholders could trust them (Sagar and Singla 2004).

Social initiatives in India mostly consist of involvement in community development, education and health and disability (Chapple and Moon 2005; UNIDO 2002). The tradition of CSR is reflected in family-owned ventures as well as in the social economy sector. However, in many cases, rather than being motivated by reputation or altruism, because of poor infrastructure and limited communal facilities being provided by the government, businesses had to invest to ensure that their employees had sufficient housing, training and medical facilities (UNIDO 2002).

With the rise of globalization, however, the influence of the western approach to CSR is rapidly increasing in India. Thus, organizations are now making the move towards developing policies that measure and manage the environmental and social impact of their actions. There are now more social activist bodies to keep an eye on and voice concerns about poor corporate performance (UNIDO 2002). On the other hand, intense global competition and strict regulations are also forcing many companies to restructure in ways that challenge their commitment to CSR (UNIDO 2002).
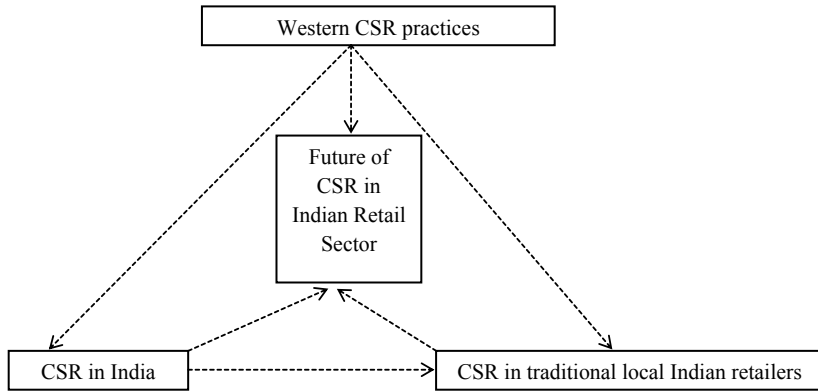
Fig. 7.1 Indian Perspectives of CSR in Retail

7.3 The Indian Retail Sector- Implementation of CSR

Indian retail was traditionally limited to "mom-and-pop" stores run by individuals, roadside hawkers, co-operative stores or government-run PDS dedicated to meeting basic necessities rather meeting aspirational wants (Sengupta 2008). The concept of supermarkets was unknown in India even in late 1960s (Westfall and Boyd 1960, p. 14) and reportedly, the first self-service format store in the country was established in 1971 (Sengupta 2008). The number of small retail outlets in the country grew over the years and by the turn of the century, the number of counter-service format stores in the country had increased to over 15 million (India Retail Forum 2007), the highest in the world (The Business Line 2004). The majority of these were focused on selling FMCG goods at the Maximum Retail Price (MRP) (Sengupta 2008).

The AT Kearney report also states that the retail industry contributes 39 % to India's GDP which is a high contribution as compared to other nations around the globe. Retailing is thus the biggest industry in India and the second largest employer after agriculture (Department of Commerce 2005). This implies that the retail industry is not just a fast growing industry in India, but also a pillar of the Indian economy and society. Hence, it could hence be perceived that the retail sector has an ethical responsibility to contribute towards the development and well-being of its customers, suppliers, employees and the society as a whole.

Although still dominated by unstructured retailers, over the years the retail industry has undergone dramatic transformations (Fig. 7.1). Factors such as increase in incomes and changes in customer attitudes and lifestyles with time have led to changes in spending patterns, thus opening the doors for new business opportunities. It is hardly a wonder, then, that the organized retail revolution hit India in the past decade (Halepete and Iyer 2008) with the entry of large retail chains. Organized retail has seen a growth rate of over 20 % for the past five years and is projected to reach USD 23 billion by 2010 (ITP Division, Ministry of External Affairs 2009).

Large Indian business giants like K. Raheja Group (Shoppers Stop), the Reliance conglomerate (Reliance Fresh), the Future Group (Big Bazaar, Pantaloons, Food Bazaar), the Landmark Group (Lifestyle), the Rajan Raheja Group (FabIndia), Globus Stores Pvt. Ltd., Koutons Retail India Ltd. and others have joined in the fray to capture a share of this huge market (The Indian Retail Bazaar 2006). Not to be left behind, foreign brands like Walmart, Metro, Shoprite, Louis Vuitton, Moet Hennessy, Marks & Spencer, Mango and Versace have entered India through local partnerships (Global Data Systems 2006; The Indian Retail Bazaar 2006), further intensifying the competition.

It is relatively easy to start a retail business in India. Capital and infrastructural requirements are low. In addition, the retail industry also plays a crucial role in generating employment. As opposed to countries like China, where employment is regulated, the Indian retail industry provides opportunities for entrepreneurship (Guruswamy et al., undated). Thus, one of the primary reasons for the surge of retailers is that retailing is a key form of 'disguised' employment in India. The over-saturated agricultural sector, which provides the highest number of jobs, is heavily dependent the uncertain monsoon, the manufacturing sector is now nearly saturated and it is difficult to get jobs even at relatively lower wages.

Therefore, the services sector remains the door left open for a large number of Indians seeking employment opportunities. Thus, setting up a retail outlet using whatever capital is available is the obvious choice for many people (Guruswamy et al., undated). However, the fact still remains that many of these self-employed retailers are struggling to make ends meet in the face of limited opportunities and increasing competition from the large retail giants.

Further, with the Indian government easing the restrictions on FDI in retail, the 'first mover' advantage to India has set off a trend for global retailers (Deloitte 2008). When an organization like Wal-Mart enters the Indian markets, it comes in the huge resources at its disposal needed to sustain itself during the years needed to overwhelm the competition (Guruswamy et al., undated). This is true not just for Wal-Mart, but even for large Indian retailers like Reliance. This would entail job losses for millions.

Although the opening up of FDI in retail will have a positive impact on the economy, and in the long run would lead to greater efficiencies and improved standards of living, and greater integration with the global economy (Guruswamy et al., undated), the displacement of labor it would cause in the near term has the potential to destroy the traditional retail sector. Assuming that the approximately 15 million adults are engaged in the retail sector, with a dependency ratio of 1:4, it means that 60 million people are dependent on traditional retail for their livelihood (Goswami 2009). Destruction of traditional retail would mean dislocating millions and probably pushing a lot of families under the poverty line.

However, there have been several instances where Indian companies like the Tatas, Godrej, the Future and Birla groups who, with their retail businesses, have demonstrated an 'Indian-approach' to their commitment to providing good corporate governance and CSR (visit company websites for more information). There are also noteworthy examples of good Indian CSR practices in the Business Process Outsourcing (BPO) industry. Two companies—Wipro and Infosys stand out. Both

organizations have demonstrated that good corporate governance and CSR practices can increase business productivity and keep the stakeholders satisfied.

Both companies have taken the longer but ethical route to achieve success. Infosys founder, N.R. Narayanamurthy, a practitioner of good corporate governance and CSR in India, has emerged as a leading figure and an example for corporate India to emulate. Good corporate governance and CSR practices, combined with ethics and demonstrable spiritual leadership have catapulted Infosys into the exclusive billion dollar group.

In the retail sector, of the retail arms of conglomerates such as the Birla, Godrej, and Tata groups have also demonstrated a high level of social consciousness (The Indian Express 2005). Two notable examples of Indian retail organizations applying the principles of Vedanta in their CSR initiatives need mention here (see Pereira and Muniapan 2013, in press). The first is the Tata group, now with large global presence, is currently the biggest employer in the manufacturing sector in the United Kingdom (Pereira 2012). The Tata group's philosophy of practicing 'philanthropic' principles at the workplace and in their business dealings has been acknowledged across the world. They own several successful retail brands at home (Tata Tea, Tata Salt, etc.) in India and abroad (Tetley Tea and foods in the UK).

In contrast, the Future group, India's largest retailer, a comparatively recent business group, has applied CSR in a unique way. They believe in using the lessons of Indian mythology as the foundations of their business model. Future Group has a Chief Belief Officer (CBO) whose primary responsibility is to drive the emphasis on the value of 'belief' in business. 'Belief', according to the Future group, is 'subjective truth' and is the cornerstone of mythology, which plays a key role in business.

Belief may be religious or secular, and in India it is extremely 'regional' and fragmented. The CBOs role in the Future group is to draw attention to this invisible cultural lever that shapes business decisions. Hence, as belief shapes behavior, it in turn shapes business. Businesses in India are highly aware of the potential benefits that CSR can deliver in the workplace. Many Indian organizations invest significant amounts in hosting or attending conferences, workshops and symposiums on CSR.

7.4 Conclusion

In the light of the above discussion, it can be said that despite the opposing views on a Western-modelled CSR prevailing in emerging economies such as India, and in new sectors such as retail, it has become a necessity for organizations around the globe to try to achieve a positive impact on society, community, environment and all other stakeholders. The retail industry is one of the largest in the world and is no exception. The same holds true for the Indian retail sector. Today, international retail organizations are expected to be socially responsible and be accountable for their actions. The rise of activist groups and the increasing awareness among the masses

have linked risks to reputation associated with CSR to the economic cycles of the free market thus increasing the pressure on organizations to be engaged with society.

However, in the case of the Indian retail sector, it is seen that traditional and indigenous value are dominant in CSR approaches. These are part of the wider business ethos prevalent in corporate India. However, with the imminent entry of newer foreign players such as Wal-mart, Tesco etc. it would be interesting to note if there will be a convergence or a divergence of values.

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Chapter 8
Corporate Social Responsibility in Indian Banking Sector: A Critical Analysis

Anjali Kulkarni

Abstract As corporates are profit making organizations basic assumption is that they should be sensitive to the needs of communities or society at large in which they operate, similarly their products and services should not bring negative impact on people and planet. The concept of Corporate Social Responsibility [CSR] has wider scope. The banks are one of the major stakeholders in the finance sector. Through its huge network of branches and profit the banking industry is one of the major corporates in India. The banks can have wider socio-economic impact in the society through their financial products and services. Considering this Reserve Bank of India has issued guidelines to banks regarding CSR, sustainable development and non-financial reporting and advised that the banks should frame their policies on CSR. To have demonstrated effects implementation of CSR is crucial. The present paper is based on the analysis of CSR activities undertaken by 19 public and private sector banks during three financial years. The paper will throw light on the social issues focused by banks, strategies adopted to implement CSR and social development, involvement of staff, sustainability of such activities etc. The paper will also take review of overall CSR and Social Development and nonfinancial reporting by banks.

Keywords Corporate social responsibility • Indian banking sector • Strategies for CSR • CSR activities in Indian banking sector

8.1 Introduction

The fundamental and incontrovertible aim of a business (or corporation) is to make profits. All businesses use some societal resource (material or non-material) or the other. Corporations are under increasing pressure from stakeholders—customers, suppliers, and employees, community, society, etc. to ensure that their actions do not result in a negative impact on people and the planet. Investors show concern for

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ethics while making investment decisions. Corporate Social Responsibility (CSR) is about managing business to achieve both commercial and social benefit. CSR helps corporations not only to manage social, community and environmental impacts of business activity but also to improve performance, lower operating costs, increase sales and customer loyalty, improve the quality of work and employee retention. CSR facilitates accountability of a business to its stakeholders, environment protection and the wellbeing of employees and society.

• CSR and the Banking Industry

The finance sector has a concrete linkage with the development of a country's economy. Being a major stakeholder, the banking industry's policies, financial products and services have far reaching impacts on the people's socio-economic status and sustainability of development. Hence, banks should be sensitive to the needs of its stakeholders. With their substantial profits, Indian banks can contribute to people's sustainable development.

• RBI on CSR and Non- Financial Reporting

Many Indian banks are already engaged in philanthropic activities for societal benefit. However, the Reserve Bank of India (RBI), India's banking regulatory body, has remarked that there is a lack of adequate awareness in the country and admits that banks can contribute (more) meaningfully to sustainable development. It had issued guidelines to the Indian banking sector in 2007 advising banks on the role of commercial banks in CSR, sustainability, development and non-financial reporting. RBI accepts the definition of CSR (Lisbon Summit 2000) as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. It further says that sustainable development essentially refers to the process of maintenance of the quality of environmental and social systems in the pursuit of economic development. It also suggested that the banks should prepare a suitable plan of action to meet the objectives of the CSR and sustainable development programs approved by the Boards of the respective banks. The banks are expected to be updated about the developments and adapt their policies, especially for project financing. Banks should report the progress of these programs in their annual reports.

In the contemporary context, there is wider recognition of the need for Non-Financial Reporting (NFR) on matters like CSR. NFR is regarded as a performance indicator that must be given as much importance as Financial Reporting. In their Non-Financial Reporting organizations voluntarily disclose the environmental and social impact of their operations during the previous year. This is extremely important, especially for financial institutions like bank, as they are the trustees of public money and whose activities can significantly impact society. Non-financial reporting also has the advantage of helping the organization's position itself as a responsible member of community. This results in brand enrichment, enhancement of the organization and improving business prospects.

- The Government of India's position on CSR

In 2009, the Ministry of Corporate Affairs suggested that every business entity should formulate a Board-approved CSR policy to guide its strategic planning. Such a policy must also provide a roadmap that aligns its CSR initiatives and the business goals of the organization. The company should allocate a specific amount (as a percentage of net profits) to CSR. Details of CSR initiatives should be made available on company websites, annual reports etc. The Department of Public Enterprises (Ministry of Heavy Industries and Public Enterprises) gave guidelines for CSR (2010) that were made applicable Central Public Sector enterprises. The guidelines clarified that, once allotted to CSR, the funds are non-lapsable and the unspent amounts will go towards funding for the North-East. It also suggested that companies who are operating in sectors like financial services, which have no geographical area of operations, should identify an area of their choice for their CSR initiatives.

The Lok Sabha has passed the Companies Bill, 2011. The proposed legislations will replace the existing Companies Act, 1956 and India will become only country which mandates CSR by law. As per the new provisions, the companies have to spend at least two percent of their average net profits of the previous three financial years on CSR.

8.2   Literature Review

Bert Scholtens (2009) studied the CSR programs of 32 banks and found that CSR is an increasingly important issue in the international banking industry and has taken strong roots in banks' businesses. The study by Iorpev Luper (2013) focused on CSR in Nigerian Banks, in particular, the loans and advances made by commercial banks to SMEs in the period 2001–2010. The study concluded that Nigerian banks are not committed to their CSR objectives of the financing of SMEs which is critical for economic growth. They suggested diversification in SME financing and provision of training to the owners and promoters of SME's. A study in Spain (2011) of CSR in 44 Savings Banks show that charitable and social work are separately reflected in their reports. Savings Banks are different from other commercial banks in that they endeavor to avoid financial exclusion. The study showed that culture and leisure are the preferred areas of CSR initiatives and get most funds. There was strong positive relationship between size of the banks and amounts allocated for social activities. Incorporation of social and environmental concerns in the business policy had strong relationship with the size of the bank.

A study by Islam (2012) is about the linkage between Financial Performance to CSR initiatives in Bangladesh banks. It analyzed 4 years' data of 37 banks. The study revealed that CSR expenditure of the banks were positively connected with the size of Business and Return on Equity (ROE) and Asset Quality (AstQT) and negatively with Capital Adequacy Ratio (CAR). The study suggested having better regulatory requirements which will foster CSR. A study by Zaman focused on CSR reporting of private commercial banks of Bangladesh (2010). It showed that their CSR activities focused on sectors like education, health and support for disaster

management. The size and profitability of the activities had significant relationship with reporting levels. Dhungel et al. (2011) studied CSR reporting practices in 14 Nepali banks. They did not find proper strategies and planning for CSR. The banks needed training and support for planning their CSR initiatives as well as a design framework. Choudhary et al. analyzed CSR practices of 12 Indian banking and financial institutions' between 2007 and 2010. The study used secondary data and concluded that the preferred areas for CSR initiatives were education, rural upliftment and welfare of handicapped. The study stressed the need from framing a CSR policy to prioritize programs and activities for social spending, allocation of separate funds and periodical monitoring and reporting to Board of Directors. The concept of CSR is based on three components—people, planet and profit. Bihari (2010) focused on a few selected banks' efforts towards green banking in their loan policies etc. The study suggested that banks should examine the effects of lending and investment decisions. The study by Saxena and Kohli focused on CSR and impacts on corporate sustainability. Private and public sector banks (7 each) were selected based on Karmayog's CSR rating. There was weak support for a link between CSR and financial performance. One plausible reason for the absence of a significant relationship is that the CSR activities have little relation with the actual business operations. Eliza Sharma and Mukta Mani (2013) analyzed 30 Indian commercial banks based on their annual reports. These included banks who were not meeting the priority sector lending targets for the weaker sections of society. There was insufficient effort to comply with the RBI guidelines for achieving financial literacy. Harpreet Singh Bedi studied the relationship between financial performance and CSR of 37 Indian companies (including banks) for the year 2007–2008. The study found positive correlation between CSR and financial performance. Corporations have started realizing that participating in the environmental conservation is beneficial to the business. Das (2012) studied CSR reporting practices in Indian Banking and concluded that few banks report on triple bottom line principles. Also, there are no standard norms for measuring, reporting and evaluating social performance of corporate enterprises. A Study by Sharma concluded that though the Indian banking sector is committed to CSR, there is poor reporting on their initiatives and programs and also failure to follow the guidelines. Another study by Senthil Kumar and others (2011) showed that CSR positively impacts customer satisfaction with the quality of banking service. Prasad's (2011) study focused on sustainability banking in India. This review of published literature on CSR—in general and with particular reference to the financial and banking sector shows that, worldwide, there are several perspectives and approaches. In addition, the studies examined the role of CSR and its effects on the lending policies and performance of the banks. The studies of the Indian banking sector conclude that there is a positive correlation with the size and asset quality of the banks and their commitment to CSR. It is equally important to know how CSR is implemented in the Indian banking sector. India has long tradition of voluntary social work. From the literature review it is evident that there are no clear strategies for CSR initiatives and implementation. Consequently, the reporting of program status and outcomes are also affected.

    This present study focused on analysis of implementation of CSR and environment sustainability by a few selected banks in India. It examined the CSR policies,

strategies used, the social issues that were addressed as well as the environment related concerns addressed by the banks.

8.3 Methodology

8.3.1 Extent of Banking Industry in India

The Reserve Bank of India (RBI) is the banking regulatory agency in India. NA-BARD assists the government, Reserve Bank of India and other organizations in matters relating to rural development.

As per 2011 data, the Indian banking sector comprised Public sector banks (27 in number), old private sector banks (14), New private sector banks (07), Foreign banks (36), Regional Rural Banks (86) and foreign banks working through offices (43).

There are 21,705 rural, 52,425 urban totaling 74,130 branches of public, old and new private sector and foreign banks in India. Public sector banks have a bigger rural presence than the other banks (RBI 2011).

8.3.2 Sampling for the Present Study

For this study, public sector, old and new private sector banks were considered. The banks were ranked on various indicators and ratings that were done by different organizations. This study considered the asset base of the banks for the financial year 2009–2010 as previous studies had reported positive correlation between asset quality and CSR. The public sector banks, old and new private sector banks were ranked on the basis of their assets. The banks in each category were further classified large, medium or small depending on asset base. This helped to select banks of different capacities and to find what banks were doing for CSR. This also gave a representative picture of Indian banking industry.

The first three banks in each category from the public sector, old and new private sector were selected. In the of new private sector banks one bank from each group was selected as there are few banks in this category (Table 8.1).

In all, 19 banks (8 public sector, 8 old private sector and 3 new private sector banks) were considered for the analysis.

8.3.3 Data Source

The annual reports of all the banks contained information on CSR. This information was used as the source of data. Some banks had also published separate CSR reports. These and the annual reports for the financial years 2009–2010, 2010–2011, 2011–2012 were analyzed. RBI had directed all banks to include non-financial

Table 8.1 Banks selected on the basis of assets in 2009–2010. (Source: Performance highlights of public/private sector banks—2009–2010, Indian Banks Association)

Bank size	Public sector	Old private sector	New private sector
Large	1) State Bank Of India (1)	1) The Federal Bank Ltd. (1)	1) ICICI Bank (1)
	2) Punjab National Bank (2)	2) Jammu Kashmir Bank (2)	
	3) Bank of Baroda (3)	3) ING Vyasa Bank Ltd. (3)	
Medium	4) Oriental Bank of Commerce (10)	4) Karur Vysa Bank Ltd. (6)	2) Axis Bank (3)
	5) Uco Bank (11)	5) Bank of Rajasthan (7)	
	6) Indian Overseas Bank (12)	6) Tamilnad Mercantile Bank (8)	
Small	7) State Bank of Patiala (19)	7) Dhanlakshmi Bank Ltd. (11)	3) Yes Bank (5)
	8) Bank of Maharashtra (20)	8) Catholic Syrian Bank (12)	
	9) Vijaya Bank (21)	9) Nanital Bank (13)	

The figures in parenthesis show the rank of the bank in terms of assets for financial year 2009–2010 in their category

reporting in annual report. Such reporting done under the heads CSR, Social Banking, Staff Welfare, Green Initiatives, and Village adoption and was considered for data analysis.

8.4 Major Findings

8.4.1 CSR Policy and Fund Availability

In compliance with the RBI directive that all banks must develop a CSR policy and obtain approval of the Board, only 3 of the 19 banks (Jammu & Kashmir, ICICI and Axis Banks) had clear CSR policies. The State Bank of India (SBI) and Bank of Maharashtra seem to have a long tradition of supporting welfare and development activities. Only two banks had reported that 1 % of the net profit would be kept aside for CSR programs. The Jammu & Kashmir Bank had shared detailes of their CSR policy and was the only bank that mentioned funding availability (Rs 5 Crores) for the financial year 2009–2010 for CSR. Axis Bank started sharing financial information from 2010 onward.

The reporting for the financial years 2010–2011 and 2011–2012 reflect growing concern for CSR. During 2011–2012 State Bank of India and Federal Bank had their CSR policies approved by their respective boards. In the same year, Catholic Syrian Bank also reported that it has initiated measures to implement the guidelines of RBI and the Ministry of Corporate Affairs. Punjab National Bank (PNB) also has a board approved policy. ICICI, PNB (2010–2011) and Federal Bank (2011–2012) have separate board committees or CSR Cells to review, monitor and ensure that RBI guidelines on CSR are followed.

State Bank of India (SBI), India's largest bank, reported the amounts spent on CSR (Rs 19.72 Crores for 2009–2010 and Rs 71.18 crores in 2011–2012). A few other banks had given project wise spending in all the 3 years of reference for this

Table 8.2 Types of strategies adopted by banks for CSR

Type of strategy	No. of banks
Formation of trust	11
Collaboration with other agencies	06
Financial assistance to NGOs	08
Involvement of staff in CSR programmes	06
Employee donations	02
Funding to Chief Ministers' fund	05
Village adoption	17
Involvement of customers	01
Work with govt. departments and local bodies	01
Investing in research and development	01

study. However, since all banks had not disclosed details of funds availability, it was not possible to estimate how much money they spent on CSR. The large public sector banks appeared to spend substantial amounts on CSR, but details were not available from the reports of mid and small size banks.

With the exception of J & K Bank, old Private sector banks seemed to have limited participation in CSR. On the other hand, the new Private Sector banks like ICICI and Axis had more concrete policies. Overall, it appeared that many banks had not complied with RBI's guidelines but, in the following years, the reporting showed that they took their CSR concerns more seriously.

In non-financial reporting the banks are required to report to its stakeholders about their CSR policies and the organizations' contribution. Banks like PNB, ICICI, Yes Bank have started publishing separate reports on their CSR initiatives. PNB also has developed an internal system of quarterly reporting to the board.

As banks have a countrywide presence, it is of crucial importance to plan how they would implement their CSR initiatives through their branches. Thus, PNB has allocated budget for each of its circles which helps in framing regional need-based CSR programs. Federal Bank concentrates its CSR activities in a few states. To promote effective implementation, PNB has instituted awards for innovative CSR programs by its circle offices

The quality of non-financial reporting is improving. PNB, YES bank, ICICI, Jammu and Kashmir Bank have started separate reporting of their CSR initiatives. Banks like ING Vysya have adopted reporting globally and submit their annual environmental and social performance report to International Finance Corporation.

8.4.2   Strategies Adopted by Banks to implement CSR

Banks are financial institutions and do not have the expertise to implement various development programs by themselves. They adopt appropriate strategies to achieve their CSR objectives. Their reporting on CSR and similar initiatives suggest the following approaches in Table 8.2:

8.5   Formation of Trusts

11 out of 19 banks formed trusts to implement the activities. These trusts are reg-
istered bodies and allowing the banks to do variety of activities which are besides
their usual activities. The Oriental Bank of Commerce adopted a slightly different
approach by collaborating with its staff association. Such an approach can also be
effective if it matches the bank's philosophy behind its CSR policy.

8.5.1   Collaboration with Other Agencies

Of the 19 banks, 6 collaborate with other agencies to implement their CSR projects.
However, the nature and scope of the collaboration was not reported. Thus, it is not
clear whether the banks' role was limited to sponsoring the programs or whether
they were more deeply involved (in designing, monitoring, etc.).

8.5.2   Financial Assistance to NGOs

8 banks reported that they gave financial assistance to NGOs working on social
issues. Axis Bank gave financial assistance to 42 NGOs during 2009–2010 and
partnered with 36 NGOs during 2011–2012. Though this is an easy way of show-
ing concern, there could be concerns on the sustainability of such programs. Unless
the collaboration or partnership is for the long term the programs may not have the
desired impact. Thus, mere financial assistance may not only fail to achieve the
objectives of a bank's CSR initiatives, it may also not help much in enhancing its
brand and market reputation. It is also possible that because of the NGOs' direct
involvement, the beneficiaries may be unaware of the real sponsors and source of
funding of the projects. This can have an adverse effect on the bank's ability to re-
tain and attract new customers.

Selection of a suitable NGO is a problem. It is important to have as a partner an
NGO with the right skills and experience for the projects being sponsored by banks.
At the same time the NGO's must be knowledgeable about the local conditions. The
advantage of collaboration is that NGOs have the personnel with right expertise and
skills. This approach must be used with prudence and after considerable delibera-
tions on program execution, spending, reporting, accountability and other potential
issues

8.5.3   Involvement of Staff in the CSR Programmes

Employees can make significant contributions to the CSR activities of an or-
ganization. Indian Overseas Bank involves the Staff Association by making it

a member of the trust or NGO established by the bank. This is a very good strategy of utilizing employees' skills and willingness to work for social causes and recognizing the staff as an important stakeholder group.

Four banks have reported the involvement of volunteer staff in program implementation and follow up. This approach should be used extensively as staff involvement will give more visibility to the banks' community work. This also promotes responsible behavior among the staff.

ICICI promotes volunteer activity which offers a number of options for the Bank's employees to volunteer with NGOs. Staff volunteering is also reported by ING Vysya, Dhanlaxmi and PNB. ING Vysya Bank has a 'Hope Brigade' which works on children's issues.

SBI has a strategy of involving the family members of the employees in CSR activities, especially the ones related to children. Strong bonds are developed with society and additional volunteer hands are available that can help to develop more positive image about the organization.

8.5.4   Employee Donations

ICICI Bank has 5,000 employees on its employee payroll giving program. This is a scheme where employees contribute a certain amount every month. ING Vysya also has reported its employee donation program. These programs are still in existence.

8.5.5   Contributions to the Chief Ministers' Fund

Five banks have reported contributing substantial amounts to the Chief Minister's Relief Funds of different states. Nearly 65 Crores rupees have been donated by banks towards flood relief in different states in the year 2009–2010. These donations were made in immediate response to the needs of the affected people.

8.5.6   Village Adoption

Five banks out of 19 adopted villages for their overall development. Bank of Baroda adopted 101 villages and one district in Rajasthan. Generally, the trend is for banks to adopt villages from the districts where they are the lead banks. Thus, adopting a village is a long term commitment to CSR and has a demonstrable impact. The sponsor bank can offer its products for various development schemes or develop products specific to the village's needs. PNB has allotted a budget of Rs 5 Lakhs per village; however, other banks have not reported such budgets.

8.5.7   Involvement of Customers

55,000 customers of ICICI Bank donated towards flood rehabilitation work. Their total contribution was 31.7 crores rupees in 2009–2010. This strategy may also help the brand image with willing customers finding a platform to contribute for a social cause.

8.5.8   Work with Government Departments and Local-Self Governance Bodies

Only one bank reported working with government departments and local self-government bodies like municipal corporations on issues like health and education. This strategy may give good results in terms of development as it would bring about systemic changes related to pressing issues.

8.5.9   Investing in Research and Development

SBI's report mentions investment in research and development work in well- known academic institutes. The discussions above show that banks have different CSR strategies and objectives. It is of critical importance that the strategies, particularly collaborations, are selected after due deliberation to avoid adverse effects on credibility and brand image. Review of the reports also shows that CSR strategies have not undergone much change. Banks must make their CSR initiatives more purposeful by aligning strategy with corporate philosophy; and also carry out objective assessment of the effectiveness of the strategies and efficient use of funds and other resources.

8.6   Coverage of Social Issues

The reports also show the banks' focus on social issues. Some banks concentrate on region- specific issues, particularly in areas where they have a dominant presence (large number of branches, customer base, business, etc.). They are extensively involved in a range of initiatives and programs on agriculture, education, health, animal health, development of vocational skills, financial literacy, disability, women's development and empowerment, disaster management, etc.

8.6.1   Agriculture

Agriculture needs particular attention as this area is a major source of employment. Banks have supported the establishment of farmers' clubs, study tours to expose

farmers to better practices, soil testing, awareness programs, watershed development, rainwater harvesting, best practices in farming, farmer bulletins, mobile vans that travel in rural areas to impart advice to farmers, agro-based projects like dairy development, goat rearing etc. The Bank of Maharashtra supports a counseling facility for farmers in the Vidharbha region where farmers' suicides are reported in large numbers. This is evidence of the range of development activities that banks are involved in.

8.6.2   Animal Health

Animal health initiatives reported by banks include checkups, artificial insemination centers, etc.

8.6.3   Education

The education sector needs support for innovation, training and addressing to the needs of special children. Banks are significantly involved in this field. Their reports show support for the education of underprivileged children, supply of books and educational material for the needy, computer literacy initiatives, and creation of school infrastructure. Banks also contribute to mid-day meal schemes, scholarships and sponsorship, mentoring and counseling of children, liaisoning with teachers, sponsorships for research projects, funding projects for enhancing quality of education in government schools, development of special programs in education, curriculum development, etc.

8.6.4   Health

Health is an area where banks have a visible presence. Health check-up camps, blood donation camps, sponsoring ambulances, donations to medical institutions, assistance to poor patients are common examples of the activities reported nearly by all banks. Banks like ICICI have taken more focused steps towards women and child health.

8.6.5   Vocational Skills

Banks sponsor training in vocational skills for unemployed youth. Self Employment Training Institutes are a major initiative, but are not considered in this paper as it is not considered a voluntary CSR initiative. Other initiatives are vocational skills for school dropouts and skill development programs for women.

8.6.6   Rehabilitation and Response to Disaster

Nearly all have shown a sense of social responsibility by donating substantial amounts for rehabilitation and relief work and motivating employee participation in relief work.

8.6.7   Disability

Activities include supporting the education of differently abled persons, voice enabled ATMS for the visually impaired, biometric ATMS, etc.

8.6.8   Women

Women-centric activities include awareness of female foeticide, special schemes for girl children, sponsoring sewing machines, sale outlets for women SHGs' products, income generation for women, specific programs for women to provide financial and other support to women entrepreneur.

8.6.9   Financial Literacy

The drive towards financial inclusion is facilated by establishment of Financial Literacy Centers by all banks.

8.6.10   Facilitation of Resources

ICICI bank's initiative to sponsor web-based networking of resources is a noteworthy example.

8.6.11   Other

CSR activities include other activities like helping talented youth, nurturing sportspersons, promoting folk art, drinking water arrangements at religious places, spreading awareness of traffic rules, special credit schemes targeted at specific groups of people like rikshaw pullers etc.

Banks have tried to address a range of social issues and problems through their CSR initiatives and programs. However, the vital question remains on the sustainability of such activities. An ad hoc or short term approach is not likely to achieve measurable outcomes. The review of 3 years' activities shows that there is not much change in the approach of the banks to their CSR activities. Only recently, however,

there appears some awareness of the need for basing CSR on a concrete strategy backed by strong planning. A few banks have recast their CSR policies to place more emphasis on need-based programs for different regions. Such approaches will help in the development of area-specific initiatives and the implementation of which will have a sustained demonstrable impact.

8.7   Staff Welfare

Employees are a major stakeholder group in any organization. Thus a focus on their welfare ensures their fullest participation to achieve organizational goals and objectives. Only two banks had reported on their actions for banks for staff welfare. The actions included additional benefits for medical treatment of family members, creation of library facilities, etc. Only SBI reported implementation of the Persons with Disabilities Act, 1995. Its report claims that 2029 disabled persons were employed in the year 2009–2010. It is possible that the banks may have done more for staff welfare; but as the information is not shared through their annual reports, it is difficult to know about specific actions and their impact. Placing such information in the public domain will enhance their credibility.

8.7.1   Environment Related Initiatives by Banks

For banks, CSR also means adopting fair practices in financing to ensure environmental sustainability. The guidelines issued by RBI expect the banks to make their day-to-day operations cleaner, more efficient and supportive of the social structure. RBI also suggested that banks share information on their efforts in their annual reports.

8.7.2   Environment Related Activities Reported

Banks have also participated in a wide range of actions to promote sustainability of the environment. Some of these are bio-gas crematorium, preservation of environment and cultural heritage, renewal of places of socio-cultural significance, planting of rare species of flora, conservation of lakes, spreading of awareness of plastic menace, social forestry, cleaning of water bodies, watershed development, promotion of non-conventional energy, rural tourism etc.

8.7.3   Green Initiatives

Only 7 out of 19 banks had reported in detail about their green initiatives. One private sector bank noted its concern for the environment but gave no details of its initiatives and actions. The banks have dwelt in considerable detail about their energy saving initiatives for their operations. These include, mainly, adoption of

new techniques in constructing new buildings, installing solar powered ATMs, installation of zero emission heating systems in offices, use of e-mail for internal correspondence, use of CFLs, sewerage treatment plants, having car pool, bus service for employees, restoration of gardens and parks, plantation drives, eco-awareness campaigns, sponsorship for green causes, portal for children to educate them about environment, promotion of non-conventional energy, efficient water management systems etc.

Four banks have reported having a concrete environment policy. Three banks reported having a clear policy to ensure that the projects financed by them support environment protection. PNB's policy mandates that all projects financed by it have obtained all statutory and environment compliances; and satisfactorily address resettlement and compensation issues with the local people. ING Vysya Bank has adopted General Environment and Social Risk (GESR), Equator Principles, Policy, Specific environment and risks. The bank also submits its Annual Environment and Social Performance Report to the International Finance Corporation etc.

The reports also mention that banks have adopted guidelines to provide finance to units producing clean energy from unconventional sources like solar energy, wind energy, and special green finance schemes at concessional rates of interest. Their growing concerns are reflected in their internal operations and lending activities. PNB's report (2011–2012) describes the measures taken like printing on both sides of the paper, immediate repair of water leakage, use of master switches etc. Other banks like Axis have reported 'reduce, recycle and reuse' initiatives. ING Vysya Bank has adopted a policy of financing environmentally sound and sustainable projects—the G-ESR, General Environmental and Social Risk, Equator Principles (EP), which is a specific Environmental and Social Risk (S-ESR) policy and guidelines for ethical project financing.

Case of State Bank of India (SBI)

SBI's report (2011–2012) describes various policies like adoption of energy efficiency measures, efficient usage of paper and water, installation of solar ATMS, introduction of Green Channel Banking (paperless) etc. It also offers concessional loans to promote schemes and projects that reduce emission of greenhouse gases by adopting efficient practices and the use of latest technology. The bank undertook a special drive to plant and nurture fruit bearing trees. SBI also participated in a pilot project to measure its carbon footprint in order to determine its resource consumption pattern and to help to take effective steps for efficient and sustainable usage. Being a leading bank in India's finance sector, SBI has set a good example for other banks to follow.

India's banking industry has shown concern about the environment and has taken seriously its role in environment protection. This is reflected in its business operations. Banks like SBI, PNB, ING Vysya have environment policies that recognize this role. In general, banks have to become more proactive in adopting suitable policies to promote environment protection.

8.8 Major Findings

- In spite of their involvement in CSR initiatives most banks do not have a CSR policy as required by the RBI.
- There is a lack of transparency in the sharing details of programs and activities. Equally, information on the availability and use of funds was virtually absent.
- Considering the pan-India presence of banks, clear CSR policies, focus and strategy is necessary to achieve the desired impacts.
- The public sector banks have allocated comparatively higher amounts for CSR. However, private sector banks have shown better planning and organization in their CSR work. With some exceptions, the old private sector banks were seen to less sensitive to the need for CSR.
- There appears a lack of clarity in understanding the needs of 'Non-Financial Reporting'. Many activities like priority sector lending, financial inclusion etc. are reported as CSR. These are actually programs mandated by RBI guidelines and banks do not have the option of non-implementation. Greater clarity is needed in the reporting of voluntary actions.
- By disbursing large amounts as donations, banks appear to have taken the easy path to fulfilling their CSR obligations. However, banks should also ensure that the actions that these funds support contribute to the achievement of the objectives of Millennium Development Goals.
- Through their CSR activities, the banks can give the required inputs and link their products and services to the programs. For example some banks imparted entrepreneurial skills to women and designed schemes to finance women's income generation. There are more such opportunities for banks.
- Few banks have reported meaningfully and in detail on environment issues.
- As there is no reporting on expenditure vs budget, it was not possible to quantify the outcomes of the Banks' contribution to social development through their CSR programs.
- Few banks have adopted international standards of reporting about environment related policies and activities.

8.9 Key Learning Points

Banks are commercial organizations and their business activities will have long lasting impact on society. Secondly, the banking sector uses a variety of resources for business; hence, the banks should play a meaningful role in society through their CSR activities. To achieve this end, they must have well- documented CSR policies. This paper shows that very few Indian banks have such policies, however concerned they may be about social and environmental issues. There is also the need to facilitate the process of understanding by banks that their CSR initiatives and long-term engagement with society will lead to enhanced reputation and social standing resulting in more customers and more business. The banks must know

how to integrate CSR into their business model. One way of doing this is to plan CSR programs that will address the needs of a specific area or region. This study also reveals a high degree of awareness of the need for environment protection and environment-friendly practices. Although banks have initiated actions in this direction, their CSR policies must reflect this concern. There also is the need to develop more sensitivity to the need to promote sustainable development. Suitable training programs will help in the shaping of the right policies.

Besides region wise planning, CSR implementation strategies must also include impact measurement. All banks must carry out impact assessment of their CSR activities and learn from the outcome of these assessments. The collaboration or partnership with NGOs and expert agencies will be effective only with proper planning for a long term engagement. Norms for CSR and Non-financial reporting must be developed. There is concern that about the lack of direction and inefficient use of resources. These must be addressed through clear policies, proper planning and appropriate training so that the intent and objectives of CSR are achieved. There is considerable scope for more research on CSR and the Indian banking industry.

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Chapter 9
Social Responsibility and the Indian Entrepreneur

Satish Nair and C. Gopalkrishnan

Abstract Corporate Social Responsibility (CSR) has been known to Indian entrepreneurs since charity and philanthropy were integral to Indian values. However, sustainability has been a major problem so far as CSR is concerned. In the minds of policy makers, however, social responsibility has been associated with big business. Even though small business (family business) occupies about 90 % of the business in the country, it is not expected to undertake significant CSR activities, and thus, typically gets neglected in many of the studies on CSR. This paper examines the CSR activities of the small business (family business) based on a study of about 25 family businesses in India. The methodology used was case study method. The study found significant CSR activity in the different areas of CSR as discussed in the guiding principles of the United Nations Global Compact. The findings emphasize the uniquely Indian ethos and values in the management practices of the small business and suggests ways for popularizing UN Global Compact.

Keywords CSR • Indian CSR • Philanthropy • Small businesses • Family business • CSR case studies • UN Global compact

9.1 Introduction

Corporate social responsibility (CSR) in small and medium enterprises (SMEs) has attracted considerable attention in recent times (Devi and Hemant 2009; Tseng et al. 2010; Vancheswaran and Gautam 2011; Chen 2011). SMEs do not possess the mass of resources of large international firms. With fewer consumers, smaller firms have less interest in the response of society (Smith 2007). Studies on CSR practices in SMEs, even in the developed country context, have borne out the challenges faced

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by such firms owing to resource constraints, constant workload in everyday operations, etc (Fenwick 2010). The findings of a recent survey, *First Annual Business of Sustainability Survey and the Global Thought Leaders' Research Project* (as part of a joint project, *Sustainability Initiative*, by the Massachusetts Institute of Technology and The Boston Consulting Group) corroborated this view held by small companies that they are more likely to view the lack of resources as an obstacle as compared to larger companies (Berns et al. 2009). The study also pointed out other differences between large and small enterprises in terms of their approaches to the subject of sustainability. While large organizations were more concerned with lack of clear regulatory policy as presenting the most significant roadblocks to addressing sustainability issues, smaller ones saw limited availability of financial capital as a greater problem.

Arevalo and Aravind (2011) cite various recent studies that have pointed to the paucity of investigations into the CSR practices in a developing economy context. Other studies have attributed the imbalance in studies on CSR towards large corporations to the higher CSR profiles of such corporations (Liu and Fong 2010). At the same time, the impact of globalization and the consequent growing influence of emerging markets has called for more research in the area of CSR in an SME context.

The present study was undertaken to examine the CSR initiatives of Indian SMEs, especially family businesses, in light of the above. The exploration involved inquiry into the role and extent of the founder/owner-managers of Indian SMEs in the CSR initiatives of their firms, the types of CSR initiatives undertaken by them, the factors influencing the choice of CSR initiatives, and the challenges faced by the firms in implementing the chosen CSR activities.

The paper is organized into different sections. The next section reviews literature on CSR, characteristics of SMEs and an overview the limited studies on CSR in the SME context. The third section presents the framework for the type of investigation conducted in this study, viz, the United Nations Global Compact. The fourth section describes the profiles of the respondent firms and the methodology adopted in the study. The fifth section presents the results of the case study analysis as well as the discussion of the results of the study. The final section discusses the conclusions of the study, implications of the findings and some suggestions for effective popularization of the UN Global Compact amongst entrepreneurial and family firms.

9.2 Literature Review

Small and Medium Enterprises (SMEs) in India, including khadi[1] and village/rural enterprises, while generating the highest rates of employment growth, also account for a major share of industrial production and exports. They also play a key role in

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[1] Hand spun, hand woven cloth.

the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit (MSME Annual Report 2010).

Blowfield and Murray (2008) have identified four perspectives on the relationship between corporate social responsibility and SMEs. The first perspective is SME as a danger—having the poorest standards of social and environmental performance. There is a view that SMEs, especially in developing countries, who are part of a large corporation's value chain can present a risk to such a company's reputation. Another argument puts the blame for such SMEs' lax performance on social and environmental issues on the large corporations which procure their goods from such suppliers based primarily on costs. This 'cost-focused' procurement, in turn, compels the SMEs in these countries to adopt lax standards on the various dimensions of CSR, including community investment, environmental management, sustainability issues, workers' rights and welfare. The second perspective views SMEs as victims—of differing expectations of the society they exist in vis-à-vis the developed economy markets they typically serve. The third viewpoint on CSR's relationship with SMEs posits that corporate responsibility should not be a concern for SMEs, not beyond their meeting the requirements of customers, fulfilling the expectations of local communities and complying with the law.

The fourth perspective is to see SMEs as an important channel for delivering corporate responsibility. Recent studies have borne out this perspective as being increasingly apparent in the emerging models of CSR in the developing world. Nirjar (2008) has cited the case for CSR in SMEs as a necessity to serve the overall development agenda of nations.

9.3   Framework for Investigation

The present study considered the framework embodied in the ten principles of the United Nations Global Compact. An investigation into the CSR practices of Indian family businesses was carried out using the case method. A brief introduction about the Global Compact is presented in this section.

The United Nations (UN) played its part in addressing the challenges presented to CSR by globalization through the announcement of its Global Compact in 1999 (Blowfield and Murray, *op cit*). This was an effort to bring companies together with UN agencies, labor organizations, and civil society to promote CSR practices and to help business be part of the solution to the challenges of globalization, which included issues of labor welfare, poverty and equity, climate change and sustainability, discrimination, among others.

The Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. As the world's largest, global corporate citizenship initiative, the Global Compact is first and foremost concerned with exhibiting and building the social legitimacy of business and markets. The UN considers business, trade and investment as the essential pillars

for prosperity and peace. It postulates that responsible business practices can, in many ways, build trust and social capital, contributing to broad-based development and sustainable markets.

9.3.1 The Ten Principles

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption (UNGC 2011):

- Human Rights:
  - Principle 1: Support and respect the protection of internationally proclaimed human rights; and
  - Principle 2: Make sure that they are not complicit in human rights abuses.
- Labor Standards:
  - Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - Principle 4: Eliminate all forms of forced and compulsory labor;
  - Principle 5: Effectively abolish child labour; and
  - Principle 6: Eliminate discrimination in respect of employment and occupation.
- Environment:
  - Principle 7: Support a precautionary approach to environmental challenges;
  - Principle 8: Undertake initiatives to promote greater environmental responsibility; and
  - Principle 9: Encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption:
  - Principle 10: Work against corruption in all its forms, including extortion and bribery.

9.4 The Study

9.4.1 Firm Profile

The study covers 25 SMEs belonging to different sectors such as engineering, pharmaceuticals, hotel & restaurant, textile retailing, blood banking, mineral water bottling and cement products manufacturing, located in the western part of India (Gopalkrishnan 2014).

Very detailed case studies were prepared on these organizations. However, the objective of the study was not merely limited to studying the practice of CSR by these organizations; it comprehensively covered the strategy perspectives of small

and medium enterprises in India. The present paper culls findings from the detailed study on the various dimensions of strategic management in the selected Indian SMEs as applicable to the objectives outlined above.

9.5 Methodology

If the objective of a study is to know what happened or how often things happened, quantitative research methodologies would serve the purpose. But to understand the different meanings that people place on their experiences often requires research techniques that delve more deeply into people's hidden interpretations, understandings, and motivation (Cooper and Schindler 2006). Qualitative research is designed to tell the researcher how (process) and why (meaning) things happen as they do. Qualitative methods focus primarily on the kind of evidence, such as what people tell us and what they do, that enables us to understand the meaning of what is going on (Gillham 2000).

Case study, one of the qualitative research methods, answers specific research questions and seeks a range of different kinds of evidence, evidence which is there in the case setting, and which has to be abstracted and collated to get the best possible answers to the research questions. No one kind or source of evidence is likely to be sufficient on its own. This use of multiple sources of evidence is a key characteristic of case study research (Gillham, *op cit*).

Thus, the case study method was opted to investigate into the strategy formulation and implementation practices of Indian SMEs with a view to gain important insights and contribute to the literature on strategic management in an SME context. Since the case method involves access to multiple sources of information, we could gain corroborative evidence on various practices, including CSR activities of the chosen SMEs.

9.6 Major Findings

The major findings of the study are presented in the following paragraphs. Though we tried to use the framework provided by the United Nations' Global Compact principles, we found that the framework was not applicable in its totality so far as the Indian SME sector is concerned, as their operations are very limited. This observation has some significance, especially if the twin objectives of the UN Global Compact of mainstreaming the ten principles in business activities around the world and catalyzing actions in support of broader UN goals are to be achieved.

This aspect is taken up further in the concluding section of the present paper. Additionally, since we studied the organizations using case study method, we also discovered the motives or the value system behind the CSR measures by these organizations. So, in addition to using the above framework, we have also benefitted from the additional insights provided by the case studies, especially the inquiry into

the four perspectives on the relationship of CSR and SMEs provided by Blowfield and Murray (2009) as also the uniquely Indian ethos and value systems in management, as elicited by management scholars in recent times (Barman 2009).

For the purpose of the present paper, a few of the significant insights are elaborated below.

Resource constraint had been very frequently cited as a reason for lack of interest by the SMEs in implementation of CSR. However, our study revealed a very different perspective of using highly innovative methods to overcome this problem.

For example, blood banking was mainly handled by small private laboratories with all its attendant problems such as replacement, supply of low quality blood and overcharging (as blood has always been a scarce commodity). A unique experiment with the idea of supplying quality blood at cost price was carried out by Prathama, a private blood bank in Ahmedabad. The organization reduced the investment cost through private-public (Municipal Corporation) partnerships, by agreeing to supply blood free of cost to needy patients in the municipal hospitals. It eliminated input cost of supply of raw blood by pioneering supply of blood by donors (free of cost) by educating young people in colleges and corporations.

Prathama had also made effective use of high technology to reduce the cost of blood. Special patient groups were identified and they were introduced to groups of committed donors. The value system of the organization of providing good quality blood at cost price was the driving force behind the highly successful business model of this organization.

The cement products manufacturer under study had a great opportunity to sell cement in the black market during the cement control regime. However, the organization refused to succumb to the temptation of making a quick profit through black marketing, though the profits were very low. When cement decontrol took place, the organization already had well-established products and reputation and progressed under the new regime. Once again, values were the driving force behind the organization.

Seva Café was established with the idea of bringing about a change in the value system of the people by introducing what it terms gift economy, i.e., the customers are not presented with a bill to pay for the food that they have consumed, they are asked just to contribute voluntarily towards the consumption of food of the next customer. The organization operated through volunteers and donations initially, but in recent times, the experiment has succeeded in achieving breakeven.

The owner of Dalal Packaging wants to retire soon and wants his employees to become partners in his business rather than sell out and keep the earnings to himself. Aava Mineral Water, too, has a future plan to make the employees as partners. Both the organizations are inching towards trusteeship model of doing business.

The cement products manufacturer mentioned above refused to bribe officials, which would, otherwise, have benefited the organization by a larger share in the supply of cement during the time of shortage.

The organizations under study never practiced child labor. Nor had they practiced forced labor. They, on the other hand, paid reasonably good wages. Not only that, some of them had very elaborate welfare schemes for their employees, which

even larger organizations do not implement. For example, Kanhai Foods, which employs people from all over the country provides free accommodation to its employees by constructing cottages.

Quality of food and customer satisfaction is the driving forces behind Laxmi Mishtan Bhandar, a sweets manufacturer and hotelier. Customer satisfaction was central to effective strategy implementation of a number of other SMEs under study. We could gather important insights into the customer and employee orientations of these SMEs.

Vishalla, a theme restaurant in the city of Ahmedabad, was set up with the idea of providing wholesome traditional food to customers in a setting resembling a rural café. The idea was to preserve the dying traditional Indian culture. When it was found that traditional Indian utensils were being sold by households all over the country, the restaurant decided to collect and preserve them in a museum. The organization is now in the process of setting up another museum to preserve traditional chairs, sofas and other uniquely Indian antiquities.

The community based trade cluster studied (the Sindhi businessmen in the electronics trade in Ahmedabad) had a highly innovative practice of negotiating with suppliers on behalf of the community, generating large business for the supplier and, in the process, obtaining the supplies at the lowest possible cost. They also attempted to reduce transaction costs through community-based cluster bargaining.

All the above cases clearly establish that SMEs do not lag behind large organizations so far as CSR is concerned; it is just that they make very little noise about it. However, we do not claim that all SMEs under our study are ardent practitioners of CSR. There were a few that practiced deception of partners and the shareholders. However, as was manifest in at least one such case, a serious conflict among the directors of the firm ultimately resulted in its closure.

9.7 Values and the Indian Entrepreneur

We tried to analyze the underlying factors behind CSR actions by SMEs as most of them had very high CSR orientation. It was, perhaps, the Indian values of the entrepreneurs which are the driving forces. Irrespective of the religion that they belonged to, they all had a strong grounding in the Indian management ethos (Barman 2009). It could be that, during the start-up stage, they may have compromised with the best practices of CSR. However, when they established their businesses well, spirituality became the driving force directing CSR. The Indian values of *Sneha*, (affection to employees), *Bandhan* (bonding), *Sradha* (respect to elders) and *Satva Guna*(virtue orientation), and *Rajas Guna*(action orientation), were perhaps the driving forces (Chatterjee 2007) since we found that most of the entrepreneurs were highly spiritual after a certain stage in their life.

The Indian businesspersons are influenced by the four goals of a human being's life, *purushartha* (goal of human existence), as embodied in the ancient treatises, the *Dharmasastras* (Wikipedia 2011). Two of the goals relate to social and moral

conduct (*Dharma*) and material and/or financial prosperity (*Artha*). The modern-day manifestation of combining prosperity with social and moral conduct was embodied in Mahatma Gandhi's exhortation to eschew the social sin of *Commerce without morality* (Gandhiserve 1999).

The findings lead us to postulate that Indian entrepreneurial firms seem to score high on the three orientations of responsible business:

- Customer orientation
- Employee orientation
- Society orientation

9.8 Conclusion and Recommendation

The insights culled and presented above from the detailed case studies reveal the good intent of the respective owner-managers to follow practices that are in consonance with principles of labor standards, environment, anti-corruption and basic human rights as evinced in the UN Global Compact. However, these practices seem driven more by the entrepreneurs' own understanding of the ethical and moral sides of business rather than being guided by any set of principles or standards.

As mentioned earlier, it is found that the guiding principles of UN Global Compact are not applicable in totality in case of the SMEs under study. It is suggested that exemplars of each of the guiding principles of the UN Global Compact in the Indian family firms be identified and highlighted as cases of successful sustainable business practices. These exemplary cases can be recognized by national/international bodies and, thus, be an alternative means to propagate the UN Global Compact guidelines. Such efforts, while providing the much-needed fillip to research on CSR in a developing economy's SME context, shall serve to propagate UN's efforts at standardizing responsible business practices.

The insights drawn from the case studies point to the Indian family firms' socially responsible behavior/activities stemming from a value system that's firmly rooted in an Indian ethos in management. This provides scope for study of CSR in India through the lens of Indian ethos and value systems, deriving important implications for similar cultures. The other framework mentioned above (e.g., Blowfield and Murray, *op cit*) also provides scope for investigating the CSR practices of Indian SMEs that can be documented on the basis of the four perspectives on the relationship between CSR and SMEs.

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Chapter 10
Integrating CSR and its Sustainability into Management Education: The GITAM-SIFE Model

M. V. Rama Prasad and Sankar Mukherjee

Abstract This paper attempts to draw a core model to instill the value and ethics of social responsibility to students in order to explore their acumen towards social responsibility. This hermeneutics study has been made to elicit the link between CSR with its substance and sustainability in management education. Corporate Social Responsibility (CSR) being a buzz word in recent days around the business philosophy, which encompasses the entire gamut of social, economical and political activities that leads towards an inclusive growth of the society. Once a fringe idea, CSR is now a part of business mainstream. The word Management starts with "MAN" that manages entire responsibilities with effective notes under the terminology called management. Responsibilitiy and management co-exist within a framework called value based responsibility. Every management aspects have its unilateral objective to create value in mutual terms. Education is a foundation platform to create the value particularly moral value called "***neeti***." This moral value is the source of substance for CSR as well its sustainability. Management education can play a pivotal role to institutionalize this moral value to the management students who are nothing but a seed for budding manager. This study depicts the role of management education in forming the foundation of CSR to seek its sustainability through a model GITAM-SIFE instituted by GITAM Institute of Management, Vishakhapatnam.

Keywords CSR · Indian CSR · Students · Management · GITAM-SIFE

10.1 Introduction

Adam Smith, the father of modern economic theory as we know, is famous for advocating "***laissez faire***" or leaving thing alone, when it comes to regulating business activities. He argued that there is an "invisible hand" that guide the actions of the individual for, while they strenuously pursue self–interest in the products they

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make and sell, in the process, they are satisfying other's needs and, thereby, society's welfare. Social responsibility is linked with corporate social responsibility as profits depend on society. CSR has a history that is as old as the history of trade and business. It is rooted in the necessity of conducting business in an ethical manner. However, CSR did not have a structure till recently. Even today, an ideal definition is yet to evolve.

If we can consider history in two phases, pre- and post- 1700 BC, we know that in 1700 BC, King Hammurabi of Babylon had imposed death penalty on workers who caused harm to their owners by through negligence. This example may be thought of as one of the earliest examples of CSR. The phrase "Corporate Social Responsibility" was first used in 1953 with the publication of Bowen's Social Responsibility of Businessmen" (Corporate watch report 2006). CSR acquired wide usage in the United States only in the 1960s; before that, it was occasionally mentioned as the social responsibility of business.

Although the term's meaning remains vague and tenuous, it has nevertheless gained currency since 1970. A stakeholder approach to business emerged in the mid-1980s. A focal point in this movement was the publication of R. Edward Freeman's Strategic Management: *A Stakeholder Approach* (1984), which itself was built on the works of Russell Ackoff, Eric Trist, Ian Mitroff, Rechards Mason and James Emshoff. The emergence of a stakeholder approach emphasized a new concept of management thought called CSR (Company Stakeholder Responsibility).

An obvious play on the word "*stakeholder*", the approach sought to broaden the concept of business beyond its tradition economic roots, by defining stakeholders as 'any group or individual who is affected by or can affect the achievement of an organization's objectives'. The deep understanding enables the management to develop tailored solution for the particular stakeholders, as with mass customization. Finally, CSR starts off with the premise that a firm can exist and sustain itself only if it offers solutions that balance the interests of multiple stakeholders over time.

Taking a stakeholder approach to CSR means the focus has to be on integration across stakeholders and on practical managerial solutions that create value for customers, employees, suppliers, communities and financiers. All these individuals and organizations are full-fledged members of society, as well as being stakeholders in a firm and who also represent the society that can be benefited too, both directly and in a number of indirect ways. Thus, a new school of management thought has developed to cater to society through the medium of Corporate Social Responsibility (CSR).

CSR dislodges Milton Friedman's argument that "…*the only social responsibility of business is to increase profit*". Capitalism is a system of social co-operation—a system of how we work together to create value for each others. CSR as defined in a holistic way is "*a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.*"

10.2 Management Education and Indian Perspective

Education in its broadest, general sense is the means through which the aims and habits of a group of people lives on from one generation to the next. Generally, it occurs through any experience that has a formative effect on the way one thinks, feels, or acts. In its narrow, technical sense, education is the formal process by which society deliberately transmits its accumulated knowledge, skills, customs and values from one generation to another, e.g., instruction in schools. "*The objective of education is to give man the unity of truth- I believe in a spiritual world—not as anything separate from this world-but as its innermost truth, with the birth we draw we must always feel this truth that we are living in god*" *(Rabindra Nath Tagore)*.

Education is the lifeline of human livelihood which harnesses the value, thoughts, ethics, culture, humanity as well as others attributes of a human character. It is a methodical effort towards learning basic facts about humanity. The core idea behind value education is to cultivate essential values in the students so that the civilization that teaches us to manage complexities can be sustained and further developed. It begins at home and is continued in schools.

Everyone accepts certain things in his/her life through various mediums like society or government. Albert Einstein described education that "***Never regard study as a duty, but as the enviable opportunity to learn to know the liberating influence of beauty in the realm of the spirit for your own personal joy and to the profit of the community to which your later work belongs***." The family system in India has a long tradition of imparting value education right from the ancient practice of the *GURUKUL* system. But with modern developments and fast changing role of the parents, it has not been very easy for the parents to impart relevant values in their wards. Therefore many institutes today conduct various value education programs that meet the rising need of code of conduct and values in modern society. These activities concentrate on the development of the children, young adults etc, focusing on areas like happiness, humility, cooperation, honesty, simplicity, love, unity, peace etc.

The emergence of management in the twentieth century may have been a pivotal event of history. It signaled a major transformation of society into a pluralist society of institutions, of which management are the effective organs. Management, after more than a century of development as a practice and as a discipline, burst into public consciousness in the management boom that began after the second world war and swept the entire world through the 1960s. The management boom drew attention to the necessity of a formal process of management education to create a supply of efficient corporate leaders.

It is tempting to assume that business schools—and the MBA qualification that is their touchstone, must always have been much as they are today, an integral component of modern life. They have acquired such permanence and ubiquity that it is difficult to think of the world without them. The pioneering Wharton School was founded in 1881 followed by Harvard Business School in 1908.In India, management education began taking shape after independence. The Indian Institute of Management, Calcutta (Kolkata) was established on the 14th of November, 1961

and, soon after, the Indian Institute of Management, Ahmedabad on the 16th of December in the same year.

Today, there are 9 Indian Institutes of Management (IIMs) and other premier management institutes (of which there more than 2000 in number) which cater to the need of management education. In the 20 years since economic liberalization, the growth of Indian business has been impressive. With the exception of China's 40 years of sustained growth, historical economic growth data shows that the two decade annual GDP growth experienced by India is exceptional. Even during the industrial revolution, historians did not estimate Great Britain's growth to have approached the level seen by China and India in recent decades.

The excitement that the economic growth has created propelled Indian students to seek quality management education in large numbers. Indians are now the largest applicant pools at most leading MBA programs. This is perhaps the biggest reason why new business schools are mushrooming in India.

Now, it is the role of management education to provide and persist with the right kind of pedagogy in order to nurture the talent pools. What business schools need to do is to reconfigure management education that is based on the new and ever changing relationship with academia and business. Such a change would deliver institutions that are truly fit for purpose, allowing them to become key players in the twenty-first century's emerging knowledge societies. Management education should not rely only on academic activities and classroom instruction; it is equally important to facilitate research activities. If India is to progress from being an imitator, our leading academic institutions and faculty must produce world-class research, and not be satisfied simply with producing good students through the competitive selection process and competent classroom instruction.

So management education has a pivotal role to play in nurturing talent in the right perspective under the right dimension. One of India's greatest philosopher/ reformers, Swami Vivekananda, rightly propounded the meaning of education which is more practical and viable in management education as "***Education is the manifestation of perfection already in man. We want that education by which character is formed, strength of mind is increased, the intellectual is expanded, by which one can stand on one's own feet***".

The aim of education is to manifest in our lives the perfection, which is the very nature of our inner-self. Management education should unfold the inner strength and values in order to transform below average human potential into a productive and resourceful human capital to attain and sustain socio-economic goals (Fig. 10.1).

10.3   Integrating CSR with Management Education

The value and process of management education is to integrate theory and practice. To understand the philosophy of management, it is imperative to examine its practice in society. Management is the process of maximizing the utilization of

Fig. 10.1 Integrating CSR with education

resources to accomplish a goal. Only management education can play a pivotal role in perceiving value, and realization of a greater understanding of our humanity, our fragility and a greater appreciation of the greatness of lives that so many of us deem to be ordinary.

The ever changing business scenario calls for a change in order to adopt new paths which are more productive in keeping the student abreast of the socio-economic changes and development that are taking place around us. Students can only realize the essence of management if the process of teaching can establish and integrate the learning with real life problems of society. Einstein's views on teaching are relevant to the teaching of management also: "Teaching should be such that what is offered is perceived as a valuable gift and not as a hard duty. It is the supreme art of the teacher to awaken joy in creative expression and knowledge."

The only source of knowledge is experience. Integrating CSR with management education can increase opportunities to acquire practical knowledge that will enhance their management skills, an outcome that will make them valuable human resource assets for their organizations. Business schools can play a pivotal role in strengthening the Indian workforce. It is important to focus on the teaching processes to make them more skilled and competent. We need institutions that aim at producing industry-ready professionals who are able to contribute substantially to the growth of the nation.

A management education is the best route for youth empowerment. Engaging students in social activities is probably the best possible means to realize the value of management education. The other way CSR can cultivate the fundamental of business ethics so that a MBA aspirant as a future manager should be able to contribute to the society through the business endeavor they became the part in the future. If a child does not know to respect his parents, it cannot be expected to grow to be a responsible manager who contributes to society through his organization. The guiding values have to be instilled during the person's education and are not easily imbibed at the workplace. Ethical values are the seed of transformation from a student to a valuable corporate resource and a responsible citizen of the nation. Thus, the success of management education depends on its approach and ability to forge a link between academia and society.

10.4 GITAM Institute of Management (GIM)

Beginning with an avowed commitment to quality management education, GIM has emerged as an institute of professional management education and research. With a student's strength of over 700, GIM has been recognized by the government of Andhra Pradesh and AICTE. The institute has regular interactions with industry.

- Connecting With Community

Community service isn't about padding one's resume. It is not about doing things so that one might be proud and boast about it. But it is the dawning of the realization of a greater understanding of our humanity, our limitations and better appreciation of the greatness of the lives that so many of us lead and yet deem it to be "ordinary".

10.5 Students in Free Enterprise-SIFE

10.5.1 The Students in Free Enterprise (SIFE)

SIFE is an international non-profit organization that brings together a diverse network of university students, academic professionals, and industrial leaders around the world. The mission of this organization is creating a better, more sustainable world through the positive power of business. Participating students form teams on their university campus and apply business concepts to reach out projects that improve the standard of living for needy people. SIFE is an initiative that is literally changing the world through dedicated student teams in more than 2000 university campuses in 40 countries. SIFE offers these students the opportunity to develop leadership, teamwork and communication skills through learning, practicing and teaching the principles of free enterprise, thereby improving the standard of living for millions in the process.

SIFE teams are guided by distinguished faculty advisors and supported by businesses around the globe. They teach important concepts through educational outreach projects, including market economics, entrepreneurship, personal and financial success, and business ethics to better themselves, their communities and their societies. Every year, a SIFE competition is held worldwide that draws thousands of students and business leaders to honor outstanding educational outreach projects. Working in partnership with business and higher education, SAIF mobilizes university students around the world to use the knowledge gained in the classroom to address real world business, economic and social issues in their respective countries**.**

SIFE India

SIFE India started in 2003 with approximately 100 students from 8 colleges and now has almost 2,500 students from 65 participating colleges and over 240 active projects, impacting close to 65,000 people in various parts of India. 72 projects were undertaken last year alone by about 1,250 students who spent 1, 70,000 h, directly benefiting approximately 13,000 people who have been able to generate substantial revenue through the alternate livelihood.

10.6   GITAM-SIFE

At GIM, SIFE is a student driven organization that endeavors to make a difference in the community with the help of learning, practicing and teaching the principles of free enterprise. **GIM-SIFE** was started in the year 2008–09 by implementing several projects for the benefit of the society. The students help the needy by imparting the knowledge gained in classrooms and encouraging women's empowerment as well as emphasizing on the education of children.

This emphasis on aligning *corporate social responsibility* (CSR) with business strategy helps to define priorities, integrate social responsibility into business practice, and build social and business value. The ability and strength to define and implement powerful CSR strategies positions the firm for enduring success. The GITAM-SIFE CSR Model puts CSR concepts into practice (Fig. 10.2).

The GIM- SIFE program was started in the year 2008–09 and since the last three years, has been involved in the following projects:

- Women Enterpreneurship Development Program,
- Alternate Energy Program,
- Young Entrepreneurship Program,
- Child Development Program,
- Income Generation Program

Fig. 10.2 Integrating CSR with management education: The GIM-SIFE model

These programs involve and engage students in social development programs. This paper aims to underline the impact and significance of the CSR initiatives undertaken by GIM-SIFE.

10.7   Projects (2008–2011)

10.7.1   *Women Entrepreneurship Development Program (WEDP)*

This program endeavors to support poor and oppressed women in their efforts to become self-reliant. GIM-SIFE has taught them to become independent and helped them to become productive members of society. We trained them to use their kitchens and backyards into business units for making pickles and ghee. The women were also taught embroidery, tailoring, and to make artificial jewelry. These skills will go a long way in raising their status and give them an improved quality of life.

10.7.2 Alternate Energy Programme

Non-renewable energy sources are being depleted at a rapid rate. It is necessary persuade communities to shift to the use renewable or unconventional sources of energy. SIFE-GIM promoted the benefits of solar energy for rural development by distributing solar lamps to 20 families in a remote village of Vishakhapatnam district. GITAM-SIFE distributed these lamps in Anaku village, which is located in the interior of the district and has no proper access to transport (One has to walk at least 14 km to reach the village).

With the installation of solar lamps, the use of kerosene has dropped considerably. This is a direct saving for the families. The villagers have invested these savings in broom making. GIM-SIFE volunteers trained the villagers to make brooms. They also taught them how to sell their products. The Government recognized the impact of the initiative and has started to construct a road to the village.

10.7.3 Child Development Programme

Today's children are tomorrow's citizens. They are the future pillars of society, but we have proved ourselves inept in recognizing this. GIM-SIFE set up children's camps where children were given basic education and health care in the villages. Health problems were diagnosed, mothers were counseled on various illnesses and on methods to prevent them. Medicines were distributed. School going children were taught how to use and save their money wisely. A Children's Club was established which organizes the distribution of books and clothes to the children under the banner, "White Gifts Program".

10.7.4 Toy Making Project

Christopher Lasch once said, "*A child's appetite for new toys appeal to the desire for ownership and appropriation: the appeal of toys comes to lie not in their use but in their status as possessions.*" Toys, which have been an integral part of our growth, have impacted the lives of several people of Gotivada village by providing them with their means of livelihood. Gotivada village is one of several poverty-struck villages. 70 % Gotivada's population lives below the poverty line. Contract and agriculture labor are their sources of income. They burned coal and honey to earn their living. This region was deeply affected by the food-scarcity, the food security being less than six months.

GIM SIFE took up the initiative of helping the people of Gotivada by imparting self-sustainability and self-reliability skills. After an extensive survey it was found that Etukoppa, an export market for wooden toys, situated in a radius of 5 km, pro-

vided abundant economic opportunities to Gotivada village. With the help of the HSBC Financial Literacy Grant, GIM SIFE assisted the people by supplying them with toy-making equipments for producing toys made of natural wood and natural colours. In the beginning only women were trained. They were trained for a period of three months to develop high level of skills in making toys. At the end of this period, they started producing toys in bulk. The trainer continuously guided them with the design and quality aspects.

A wide variety of toys—bananas, bangles, idols of Lord Ganesh and Hanuman, and many more—were made. Initially, the men were not supportive of the women's efforts. However, with time, people started showing increasing interest. The success and financial returns made the venture attractive. Six dealers were identified who would market these products, which were given the brand name of "KIRDAN". As expected, KIRDAN gained instant popularity. However, sustainability needs had to be addressed. GIM SIFE took necessary steps to increase production and involve people. It conducted a meeting in which five ladies were invited to describe their experience of working on the project. This generated considerable enthusiasm among the villagers.

In the light of the positive results of the project and the enthusiasm it generated among the villagers, GIM SIFE, along with CeFHA, added another 15 units. Members of 15 families (men and women) were trained. In spite of the training, it was realized that communications skills were poor. It was impart basic English language skills to these villagers since the export market demanded it.

A training workshop was conducted which not only imparted basic communication skills but also educated the villagers about the local market prices to ensure that they received proper remuneration for their products. GIM SIFE also trained them in the Design, Quality and Price aspects of their products. Thus, KIRDAN was a big success. It truly proved that "Self-reliance is the only road to true freedom, and being one's own person is its ultimate reward."

10.7.5   Paper Project

Paper project was implemented to help beggars, physically challenged, destitute widows and people below the poverty line (BPL) in Vishakhaptnam. In partnership with Yuva, an NGO, With the help of Yuva, NGO, training was given in making various hand made products such as files, ladies' purses, gift articles, etc. The training gave them an opportunity to earn an income and stop begging. They now have dignity and a better quality of life. The project also promoted eco-friendly products.

10.7.6 Raagi Malt Project

The Raagi Malt project was implemented a tribal village, Anuku. GIM-SIFE had earlier provided solar lamps to families living in the village. Raagi is the staple food of the villagers and is widely cultivated in the area. It was sold at about Rs 8/kg in the local market. GIM-SIFE provided the people with equipment with which they could grind, weigh and pack Raagi powder. With this "value-addition" they now realize a price of Rs 32/kg. With rise in income, deforestation declined and the villagers of Anaku have taken the cultivation of organic food products. The savings habit has also taken root.

SIFE India National Championship 2011 brought together students from more than 50 leading national universities, academic professionals and business executives on one platform. The competition was divided iknto three regional rounds, one each being held at Chennai, Delhi and Mumbai. Winners of the regional rounds qualified for the finals at Mumbai. There were 4 teams in the Delhi round and 8 each in Chennai and Mumbai.

GITAM Institute of Management has emerged as a winner in the regional round at Mumbai. The entries were judged by senior executives from leading organizations.

10.8 Key Learning Points

The GITAM-SIFE model reinforces the value of education through experiential learning. Social responsibility is practiced by corporations to repay their debt to society. Should CSR be integral to corporate philosophy? Are businesses obliged to serve society? These are questions of paramount importance and are the subject of intense debate. The authors submit that regarding social responsibility as a basic business policy—and not an obligation—must be decided by future managers only. But it is the education model that must provide the basic values to the students who will carry forward the movement to serve society.

The seeds of leadership are sown in the students who must be cared for and nurtured in an environment of moral and ethical values to make them bloom into transformational leaders. The practicing social responsibility as part of management curriculum can lay the foundations for change and social development.

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Chapter 11
Issues in Implementing CSR: An Indian Perspective

Archana Shukla and Laura Donovan

Abstract The implementation of Corporate Social Responsibility (CSR) has gained momentum in the past five years. The perspective and practices may differ for each company but there is a slow but sure movement among businesses from seeing CSR as philanthropic activities in the local communities to a more strategic and inclusive understanding of managing business impacts. This paper throws light on the recent trends, changes and challenges in CSR in India. It aims to examine government's Promotion of the subject as well as highlight a few best practices identified during the judging and assessment process carried out for a national-level CSR award.

Keywords CSR • Indian CSR • Philanthropy • CSR trends • Best practices • CSR awards

11.1 Introduction

There is no single definition of Corporate Social Responsibility (CSR). However, the one found to be most appropriate by Partners in Change (PiC) is the following:

> Companies have an impact on society and the environment through their operations, products or services and through their interaction with key stakeholders such as employees, customers, investors, local communities, suppliers and others. Corporate responsibility means understanding such impacts and managing business processes to add social, environmental and economic value in order to produce a positive sustainable impact for both society and the business.

In other words, the impacts of a company's operations along its entire value chain must be assessed for negative impacts and potential opportunities. This definition

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raises many new issues for businesses trying to act responsibly: the notion of assessing non-financial impacts (environmental, social and governance, or ESG) is not always well-understood and stakeholder management remains a challenge as the understanding of stakeholders is actually quite recent.

While definitions of CSR may differ, there is emerging consensus on some common principles that underline CSR (KPMG 2008):

- CSR is a business imperative: Whether pursued as a voluntary corporate initiative or for legal compliance reasons, CSR will achieve its intended objectives only if businesses truly appreciate that CSR is beneficial to them. As seen with the focus on risk in the above definition, CSR is about identifying and managing risks.
- CSR is a link to sustainable development: The imperatives of sustainable development impact everyone and CSR can be seen as the business community's efforts to address these challenges. Businesses are learning to understand the advantages of integrating social, economic and environmental criteria in their operations.
- CSR is a way to manage business: CSR is not an optional add-on to business, but it is about the way in which businesses are fundamentally managed. Making a profit is essential but equally important is how that profit is made and with what non-financial costs.

These principles have become necessary considering that the corporate sector is increasingly judged not just on its profit-making ability, but also on how those profits are made. For this very reason, CSR is not just a buzzword; it is slowly becoming a full-fledged strategy that governs, or should govern, a company's interaction with the environment in which it works. Likewise, good governance has been expanded beyond the traditional shareholders to include those impacted—directly or indirectly—by a company's activities. These stakeholders can be linked to the business (investors, employees, clients, suppliers) or external (local communities, the government at all levels, the environment, non-governmental organizations and civil society in general). The relatively recent drive to expand the understanding of a business' role as a corporate citizen has come from the growing awareness that companies have to focus not just on financial value but on social and environmental values as well.

11.2 Relevance: The Indian Context

According to a survey conducted by Tata Energy Research Institute (TERI) in 2001, the evolution of CSR in India has followed a chronological evolution of four theoretical models: ethical, statist, liberal and stakeholder. These four models explain how companies assess their relationship with the larger society.

The ethical model is based on the Gandhian understanding of "trusteeship" that argued that a company is a trust held in the interest of the community. Many family-run entities began their philanthropy work keeping this idea in mind. The statist

model, under Jawaharlal Nehru post-independence, involved state ownership in companies to assure corporate responsibility. The opposing liberal model reflects the ideas of Milton Friedman, the US economist who argued that a company's sole responsibility is to make profits and pay taxes (which in turn can promote social activities). Finally, the most recent stakeholder model recognizes a company's responsibilities towards society in how it manages its business (Kumar et al. 2001).

Despite the theoretical assessment of CSR in relation to a company's strategy, the Indian business environment still largely associates CSR with actions for community development (schools, hospitals, road construction etc.). Fortunately, the situation is starting to slowly evolve. In the Indian context, some of this evolution is due to government intervention. Although CSR is seen as a company's voluntary but sincere commitment to fulfilling its responsibilities to its stakeholders, it is being made a matter of compliance in India. The idea is not to force the business community into commitment but create an atmosphere where the importance of CSR can be experienced through practice.

For example, as of 2010, public-sector enterprises (PSEs) have been required by law to include CSR work in their business mandate. Keeping in view the public ownership of PSEs in India and the high accountability attached to them, the Department of Public Enterprises (DPE) issued CSR guidelines to all PSEs in April 2010. The public companies are now required to spend a fixed amount on CSR; policies are to be set and procedures for working with civil society organizations (CSOs) are necessary (DPE 2010). In reality, CSR professionals working in PSEs seem unclear about the concept of CSR and tend to consider philanthropy and charity as CSR rather than view it from sustainable development and nation building lenses. As a result, CSR policies are still on paper and not actually implemented on the field.

Today, the DPE Guidelines focus on the community development aspect of CSR and require companies to spend in that area, as opposed to other business impacts and issues. That situation will likely evolve with the new DPE guidelines effective as of 1 April 2013 which erase the fine line between CSR and sustainability or, in other words, between community work and other areas, such as environmental management (DPE 2013).

In addition, the interaction between CSOs and PSEs is still progressing. There are not yet many formal mechanisms for CSOs to apply for funding directly to the PSEs though an avenue is being developed with the CSR Hub.[1] This recent set-up at the Tata Institute of Social Sciences has been designed to serve as a resource for PSEs interested in finding robust and accountable CSO partners. The effectiveness of the CSR Hub remains debatable as of this writing; but as most involved parties (PSEs, government, CSOs) recognize the need for some sort of platform, it is likely that the functionality of the Hub will be improved.

The private sector is equally being spurred on by the government though it is still voluntary. In July 2011, the Ministry of Corporate Affairs released an updated version of the *National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business* (Ministry of Corporate Affairs 2011). These NVGs list

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[1] CSR Hub link http://www.tisscsrhub.org/.

nine principles which companies should address in their business operations and which provide a holistic framework of interconnected principles and core elements for companies to adopt. The Principles draw attention to core business issues and mark a profound departure from the earlier dominant discourse on corporate community development and related philanthropic initiatives (as seen for the PSEs).

The nine principles of the NVGs cover a range of areas that a business impacts, including ethics, human rights, environmental management and client relations. Although voluntary, the NVGs are the first government-sponsored guidelines in the world. In August 2012, the Securities and Exchange Board of India (SEBI) has included (as opposed to imposed, which sounds negative) the NVGs as reporting requirements for the top 100 listed companies on both national exchanges (SEBI 2012). Obligatory as of financial year 2012–13, the next batch of annual reports will have to include information on how companies are managing this range of issues, or explaining why they are not doing anything.

Beyond these measures, the voluntary nature of the guidelines is under discussion with the 2011 Companies Bill presently under discussion in the Indian Parliament.[2] The bill includes clause 135 which specifically addresses the subject of CSR. In the draft Companies Bill, 2009, the CSR clause was voluntary in terms of the budget to be spent though it was mandatory for companies to disclose their CSR expenditure to shareholders. But the new Bill proposes that companies worth $100 million or above or meeting other similar standards would need to provide an explanation if they fail to allocate at least 2% of their annual net profits towards activities of CSR.

In an article in the Economic Times,[3] it was noted that if the 2% clause in the company's bill goes through, then the total amount of money that would have to be spent by the companies would be to the tune of `8,700 crore annually.

The range of government-sponsored actions illustrate to what degree the CSR environment is continually changing. Companies are slowly looking at CSR from a more strategic point of view but community development will remain an essential element. For Indian companies with strong business links to western companies (as owners, subsidiaries, suppliers…) the impetus could be greater to structure their CSR work. Companies based in Europe, Japan and the US face greater pressure from investors and consumers to address sustainability issues and they, in turn, transfer these obligations to their Indian partners. In any case, the situation for CSR in India remains fluid and there will always be room for innovation and creativity.

In the backdrop of the above-mentioned developments in the meaning and significance of CSR and new policies and practices over the past five years, the objectives of the paper are to:

- Focus on recent trends in CSR,
- Elucidate constraints of CSR implementation in India, and

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[2] As of March 2013, the bill has been passed by the Lok Sabha but remains to be passed by the Raja Sabha.

[3] http://articles.economictimes.indiatimes.com/2012-06-13/news/32215581_1_csr-companies-bill-corporate-social-responsibility.

• Highlight several good practices in terms of achievement in CSR through industry association awards and other means of recognition

11.3   Methodology

This study is based on both primary and secondary data and comprises both qualitative and quantitative research methods. This study also takes into account PiC's experience in assessing CSR awards at the site/field level for two reputed industry associations of India. The study also incorporates PiC's experience while conducting impact assessments as a third party/ external agency along with its long term experience of associating with the Indian corporate sector in terms of various research activities. The quantitative research data has been picked from PiC's survey reports on CSR and other related studies in the past decade.

11.4   Analysis of Overall Trends

In a survey conducted by PiC in 2011[4] on assessing the upcoming trends in CSR, 44 CEOs/ MDs were interviewed to ascertain their perceptions on the subject. Collected data included a range of points of view: 25 % of business leaders believed that CSR in India is in a philanthropy phase, while 17 % saw it as company-driven. Approximately 16 % were of the opinion that CSR is a development-oriented activity and 15 % believed that it is primarily a relief and rehabilitation endeavor. 10 % saw that there is a real partnership in place between companies and CSOs. Almost 9 % of the respondents saw CSR as a community-driven exercise and only 7 % thought CSR was focused on sustainability/ ESG (as shown in Fig. 11.1). This finding demonstrates that CSR is predominantly still seen from the old perspective of charity/ philanthropy and company-driven for its brand value, while a sustainability-based understanding of CSR, unfortunately, still has a long way to go.

In an interesting confirmation, the majority (58 %) of the 48 CSR heads of the same companies[5] see CSR as only in the charity/ philanthropy phase. Only 3 % identified CSR as being sustainability-focused. This contrast could reflect the difference in CSR policies at the management level and practice at the implementation level (Fig. 11.2).

When asked about the objective of CSR, most of the CSR heads of 48 companies responded that CSR is the company's attempt in "doing its bit" for society (71 %), followed by goodwill creation (17 %). Only 6 and 3 % of the CSR heads talked

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[4] The survey was rolled out by ACORD in partnership with Partners in Change (PiC), 2011.

[5] In PiC CSR survey 2011, 48 CSR heads and 44 CEOs of the same companies responded while 4 CEOs did not respond.
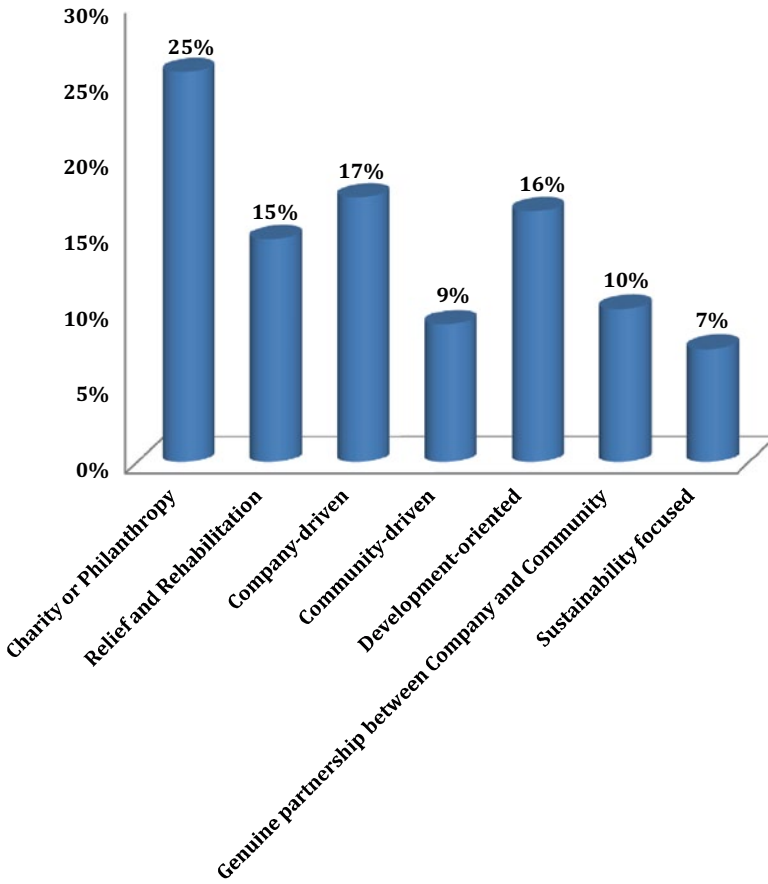
Fig. 11.1 Perception of CEOs/ MDs on CSR in India
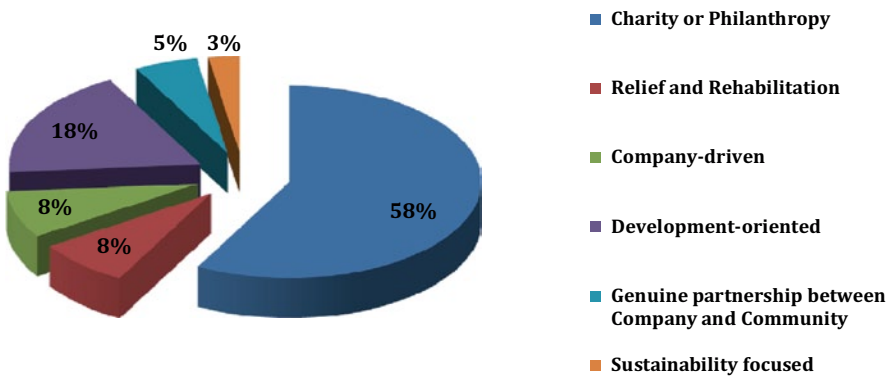
Fig. 11.2 CSR Managers' Perception of CSR in India
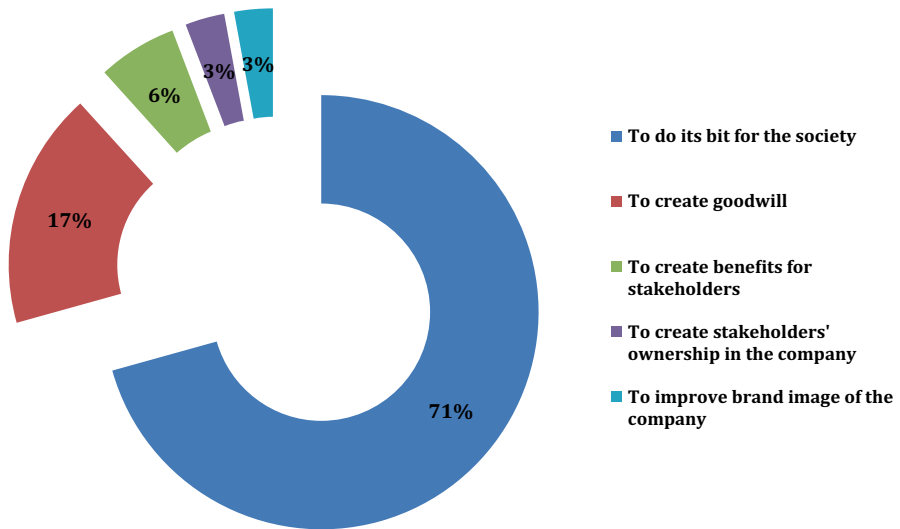
Fig. 11.3 Objective of Implementing CSR

about stakeholder benefits and creating ownership respectively; and none of them talked about CSR's contribution to sustainability (Fig. 11.3).

This gap in senior management's capacity to understand the business ramifications of CSR is underlined in the table below. Of the 48 CSR heads surveyed on the challenges faced in implementing CSR, 76% mentioned the lack of access to professional training, followed by insufficient models available in India (61%), lack of understanding on correlating with benefits (52%) and lack of integration with the core business of the company (50%). This data pre-dates the launch of the NVGs but highlights the extent to which companies are ill-equipped to tackle the challenges of implementing CSR in a strategic manner (Fig. 11.4).

These graphs on the perception of CEOs/MDs and CSR heads clearly demonstrate that Indian businesses are not equipped to embrace the stakeholder model of responsible business and to address ESG issues that companies face and will continue to face.

11.5   Managing CSR Strategically: NVGs

Sustainable development is a planet-wide ambition "to meet the needs of the present population without compromising those of future generations" (Brundtland 1987). Sustainability is about finding and maintaining a balance between conflicting priorities—equitable social development, environmental management of resources and economic growth. The timeline for such an ambitious, but necessary project is long, as it aspires to cover for future generations as well.

■ Lack of access to professional
  training

■ Insufficient models available
  among Indian cos

■ Unable to corelate CSR
  initiatives and tangible benefits

■ Lack of understanding
  integrating CSR with the core
  business

■ Focus more on short-term goals

■ Not a part of corporate values/vision
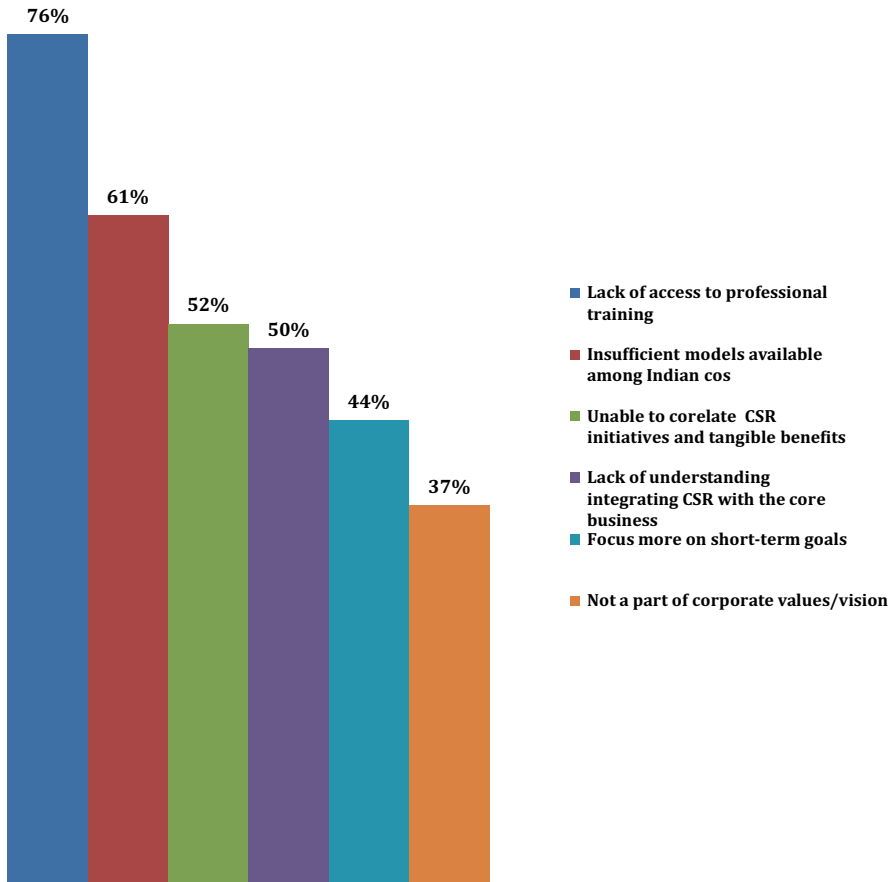
Fig. 11.4 Challenges in Implementation of CSR

In contrast, business works with a much shorter timeframe of quarterly and annual reports and five-year strategic plans. Few companies survive several generations to manage the long-term planetary challenges. However, if all companies—including SMEs which comprise the majority of business entities in India—conduct their business in a responsible manner, the impacts would be enormous. Enlightened supply chain management would address critical human rights issues including child labor and worker rights. The efficient use of water and energy (with zero impacts) would reduce the drain on natural resources, and innovative product development will build competitive advantage and assure a company's sustainability. Here it is necessary to assert that strategic CSR is neither charity nor philanthropy. "Love for humanity" is not the role of a business and many community activities that companies carry out under the aegis of its CSR program are often not CSR. A company cannot build a school while continuing to draw excess water from local sources with its operations. The two must be addressed simultaneously. At a minimum, CSR is risk management and ideally, it addresses all aspects of a business' value chain.

In light of the differing perceptions about CSR, the Government of India's NVGs are a serious effort to promote responsible business along the value chain. Understanding how companies have begun to manage the nine principles illustrates the direction that a business as a whole can take. The small booklet on NVGs (Ministry of Corporate Affairs 2012) provides a framework for companies to begin managing ESG challenges and as such, needs to be promoted for use by Indian companies.

11.6   PiC's date with NVGs and Companies

In both 2011 and 2012, PiC conducted the assessment process for the Associated Chambers of Commerce and Industries (ASSOCHAM) CSR Excellence Awards. A robust process was set up which comprised two phases: the analysis and scoring of a questionnaire submitted by the companies and then a one-day interaction with the senior management of the companies shortlisted. In 2011, the field assessment and in 2012, both the questionnaire and field assessment had NVGs as their criteria. The objective was to promote the understanding and use of the guidelines set by the Ministry of Corporate Affairs.

The questionnaire sent to companies in July 2012 comprised 10 sections: an introductory section on Core Values and the nine NVGs each made up the following sections. For each of the nine principles, four areas were assessed: policies put in place; implementation of policies; targets set to measure against; and the monitoring and evaluation process needed to validate progress and identify gaps. According to the CSR team at ASSOCHAM, there was a great deal of response to the application form, with many companies noting that they were not yet ready to answer all of the sections. Interestingly enough, the SEBI notice requiring reporting based on the NVGs was released while companies were still in the process of completing the questionnaire. Only 30 companies submitted complete questionnaires while others preferred to wait till next year's process.

11.7   Observations

The experience of working in partnership with ASSOCHAM was enlightening in the sense that it underscored the degree to which Indian companies still continue to associate CSR with only community development work. However, the assessments over the past two years do demonstrate a growing number of best practices across the NVGs. The interactions with a range of management personnel—from board members, CSR managers, HR directors, environment managers to marketing heads—led to a qualitative understanding of what can be done.

In the course of its assessment, PiC discovered a few interesting findings and identified examples of best practices. We would like to highlight several of these examples in this study, using the nine NVGs as a framework.

11.7.1   Principle 1: Businesses Should Conduct and Govern Themselves with Ethics, Transparency and Accountability

This principle expects companies to manage their business ethically and its activities to be transparent. One company that appeared to have robust systems in place was Sterlite Industries. Perhaps due to pressure from stakeholders, an effort has been recently made to improve processes. Today, the company has a strong culture of review mechanisms and ethics is well covered. Interventions are timely (for example, before Diwali when the reflex is to offer and receive gifts) and position-sensitive (people on the procurement team rotate vendors every three years to avoid the possibility of collusion). Transparency is addressed internally with regular structured company meetings and externally with open doors on Saturdays for visits.

PiC was equally impressed with an SME based in Himachal Pradesh, Elin Appliances, for the use of a Code of Conduct that covers a range of issues that make the company accountable: human rights, freedom of association, child labor, HIV-AIDS. While large corporations have codes of conduct, they remain less common among SMEs. Yet all companies must address the challenges of managing human rights, regardless of size.

11.7.2   Principle 2: Businesses Should Provide Goods and Services that are Safe and Contribute to Sustainability Throughout Their Life Cycle

The notion that products and services must be assessed along the entire life cycle remains a relatively new concept in India. However, companies have begun to carry out life-cycle analyses (LCAs) for a growing range of products. The purpose is to assess environmental and social impacts of how a product (or service) is developed, marketed, sold and disposed of. They are assessed from their raw materials (cradle), to their final destruction (grave). At Reliance Industries, environmental concerns are integrated at the blueprint for projects and LCAs are conducted that cover cradle to grave (leaving the plant), with carbon and water footprints measured. ITC has also begun LCAs with a schedule for different product lines for each year.

11.7.3   Principle 3: Businesses Should Promote the Wellbeing of All Employees

People are the backbone of any company and the responsible management of employees is fundamental for sustainable business. CSR has expanded the way companies look at the management of its staff with the logic that human resources are an integral partner in becoming and remaining a responsible business. The company that won the ASSOCHAM award 2012 in the small company category demonstrated best practices in its HR management. Binani Zinc has excellent labor relations,

with workers having regular access to senior management. An industrial plant, Binani has avoided the use of contract labor for recurring work. There is a strong emphasis on hiring local employees and long-term work on building local capacity for future employment is being carried out. A telling number, the attrition rates for management and non-management is below 2%.

As another example of building a positive place to work, the SME, Elin Appliances has an attrition rate of less that 4%, despite being in an industrial zone where workers find it easy to shift jobs.

11.7.4 Principle 4: Businesses Should Respect the Interests of, and be Responsive Towards All Stakeholders, Especially Those Who are Disadvantaged, Vulnerable and Marginalized

The mapping and prioritization of stakeholders is a relatively new activity for companies but taking into account the points of view of stakeholders, especially those with a potential impact or of those directly affected by business activities can help the management avoid problems as operations go forward. Tata Steel has a robust management system in place whereby stakeholder engagement is seen as "voluntarily accepted obligations". Stakeholders are mapped using an "Issue vs Interest" matrix so as to set priorities. Moreover, in the case of its plant sites, all persons displaced by company activities are given an ID number. Tata can then track those communities to ascertain whether the objectives of the work done to mitigate negative impacts on individuals have been met (in other words, a person who is shifted to a new location is followed to assure that the new living environment is superior to the original). As a second example, a young company, Welspun Energy, began building relations with its stakeholders long before any operations began. These efforts have served to shape the roll-out of projects and build buy-in from local stakeholders.

11.7.5 Principle 5: Businesses Should Respect and Promote Human Rights

In 2011, the United Nations published, after more than five years of consultations, The Guiding Principles on Business and Human Rights. This 27-page document is the first global standard for fostering human rights practices. The document is also

a blueprint for companies to assess human rights impacts, reduce risks and measure against a recognized benchmark. It details how governments can promote effective human rights management among all companies. The NVGs continue the work to promote good practices on human rights, both for company operations and in the supply chain. For example, the commodities exchange, MCX, has established a process of supplier screening with defined parameters for contractors. This assures that human rights issues are addressed at all points of the company's value chain. UltraTech Cement has implemented SA 8000[6] as a means to assure compliance among its vendors. Equally relevant, the cement company treats safety as a human rights issue and makes sure that it is robustly managed.

11.7.6 Principle 6: Business Should Respect, Protect, and Make Efforts to Restore the Environment

None of the winners of the awards in 2011 and 2012 scored low on this NVG, thereby demonstrating to what degree robust environmental management is essential for strategic CSR. The winners for 2012 demonstrate such efforts: Tata Steel in Jamshedpur is continuously expanding its efforts (reduction in waste, sites certified…) and targets have been set with the World Steel Association, using international benchmarks. Hindustan Petroleum, being in a sector with high impacts, has taken up a number of environmental initiatives apart from what has been mandated by the government. The processes—right from the source—are stringent and well managed which has led to savings. Likewise, Hindustan Zinc, the 2011 winner, has robust processes benchmarked against international best practices. Even the winners in the small categories have strong systems. Elin Appliances measures savings from all environmental initiatives and in the case of black belt projects, the savings are shared with the customer.

11.7.7 Principle 7: Businesses, When Engaged in Influencing Public and Regulatory Policy, Should do so in a Responsible Manner

This principle is a good example of how the Ministry of Corporate Affairs adapted external guidelines on CSR/ Sustainability to the Indian context. The notion of responsible lobbying (as it would be known elsewhere) is essential for business to ad-

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[6] SA 8000 is one of the world's first auditable social certification standards for decent workplaces, across all industrial sectors. Based on conventions of the ILO, UN and national laws, SA8000 spans industry and corporate codes to create a common language for measuring social compliance. The management system supports sustainable implementation of the principles of SA8000®: child labor, forced and compulsory labor, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration.

vance in a fair manner. MCX has a structured approach which focuses on research for what would be most conducive for society as a whole. For example, potatoes were added as a traded commodity via pressure from farmers. To educate the market and the regulator, the company publishes research studies to emphasize the value of products for the economy as a whole. In a different approach, ITC has developed a three-tiered system to regulate all interactions with the government and regulators (local, projects, national). More interesting, all political funding is now declared in the balance sheet to assure transparency.

11.7.8 *Principle 8: Businesses Should Support Inclusive Growth and Equitable Development*

This principle is the one most associated with CSR as companies intercede in their local communities to improve the standards of living. However, more innovative companies are making a clear link between what they develop in the communities and their own business. For example, ITC has progressed so that all community work is linked directly to the business with robust backward integration. Small farmers are assisted so as to increase their land productivity or expand their crops (ie. saplings for the paper industry) and they are given market information on weather conditions and market wholesale prices. However, they are allowed to sell to any provider—there is no obligation to sell only to ITC. To date, five million farmers benefit from the *e-Choupal* model—as this initiative is called—that has been the subject of a Harvard Business School case study (Shivakumar and Anupindi 2005).

In the development of a new commodities exchange in India, MCX found it in their interest to educate farmers as to the benefits of futures. Many of the commodities being traded are agricultural, so there is a scheme to educate farmers. Using the post offices, farmers can access market information. They are also being introduced to insurance (weather/ crop). In both of these cases, small farmers benefit from access to better farming information and tools. Moreover, the strong link between business activities and community involvement renders the schemes robust and sustainable.

11.7.9 *Principle 9: Businesses Should Engage with and Provide Value to Their Customers and Consumers in a Responsible Manner*

Business thrives only if and when its clients (business or consumer) are satisfied. Responsible client management involves addressing issues that today's clients are concerned with as well as foreseeing what they will require (or choose to avoid) in the future. An excellent example of responsible client management can be seen at ITC. The company has chosen only to enter markets where the customers give the

clearance—by buying the products. Each company division has a center of interaction for consumer insights. More importantly, corporate communications is assessed by the divisions on their success in responding to customer issues and queries.

Several innovative companies have begun to define their strategy and management systems in terms of their CSR. Unilever and its Indian subsidiary Hindustan Unilever (HUL) have set up a Sustainable Living Plan which structures the company's growth and includes a management matrix and scorecard for measuring progress. Their last year's annual report—titled "Growing Sustainably", recognized the need to manage risk and embrace opportunities that are beneficial to more than just the shareholder. Their work helps drive their financial success and has also been acclaimed internationally.

While strategic CSR remains at a nascent stage for most Indian companies, there is a growing appreciation that it is not an add-on for philanthropic or marketing purposes. It is very important for companies and their stakeholders to look at CSR from the perspective of sustainability of the business. Only then can initiatives be enduring. CSR and business strategy need not be antagonistic to each other. A synergy between the two objectives is good for a company's bottom line as well as for creating a healthy and inclusive society. Today, there is still a long way to go. We remain optimistic that when understanding the business connect of their CSR initiatives, companies will find long-term benefits and shared value for both business and society.

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Chapter 12
Measuring Effectiveness of CSR Program: A Case Study of Tata Power Co. Ltd

Sanjaya Pradhan and Ravi Puranik

Abstract Worldwide, Corporate bodies have been practicing Corporate Social Responsibility (CSR) by investing financial and non-financial resources. India Inc has demonstrated (with varying degrees of interest), its commitment to the development of the people and the environment. They have invested in the development of social capital in sectors including education, health, old age care, sports and culture etc. There is an increasing emphasis to measure the effectiveness of these CSR programs. This stems from an innate need among Corporate bodies to assure them that such investments lead to intended outcomes, in the process leading to agreed deliverables among the various partners including communities. The article goes on to raise the critical question whether there is any tool to measure the returns of CSR programs? How would a company 'know' if and whether its social investments result in happiness within a community, or if there is recognition of its efforts? Will social investments ensure visibility of the company in the local community? Are there universal benchmarks to measure happiness, recognition and visibility? The authors have designed a tool "CSR Program Effectiveness Index (CPEI)" to measure the Happiness of Community, Recognition of the Company and Visibility in the Company in the community. Indeed, there are very important questions, but more often without conclusive answers. This article probes into this very contentious and gray area and offers intellectually stimulating paradigms, a framework and tools.

Keywords CSR · Indian CSR · Investment · Community · Measuring CSR · CSR tools · CSR Programme Effectiveness Index

12.1 Introduction

India has managed to use its vast natural and human resources play a prominent role in the world's economy. India's economy is growing at a fast pace in terms of capitalization and opportunities offered like employment and resource availability.

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The economic growth has also led to higher levels of engagement with communities. Consequently, there is a demand for a more accountability to the stakeholders like civil society, environmentalists; investors, etc. We believe that such engagement would eventually lead to better transparency, improve governance and reduce risks. Companies are looking for new ways to address the integrated and complex social, economic, and environmental effects of their business; and mitigate the risks while balancing conflicting demands on their attention, time, and resources. Corporate Social Responsibility (CSR) is expected to contribute significantly to securing a sustainable competitive advantage. CSR has been defined as the integration of stakeholders' social, environmental and other concerns into a company's business operations (EIU 2005, p. 2). CSR is a process of managing the cost and benefits of business activity to both internal (workers, shareholders, investors) and external (institutions of public governance, community members, civil society groups, other enterprises) stakeholders (World Bank 2002). The World Business Council for Sustainable Development has defined that CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Emergence of CSR A report by the global accounting and consulting firm, Grant Thornton, that used data, including that from India, collected in late 2010 and early 2011 noted that CSR activities across the world have increased dramatically in recent years as "businesses realize their value not only commercially, but also in terms of boosting employee value, attracting staff and cutting costs."

The importance of CSR is growing in India. The Government has made it mandatory for all public sector undertaking companies (PSUs) to spend 0.5–2 % Profit After Tax (PAT) on CSR and extended it to cover all private sector companies under the new Companies Bill 2012. According to Forbes (www.forbesindia.com), the top 1,000 corporations, MNCs, co-operative banks and SMEs in India will allot at least ₹ 120 billion to CSR (Bapat 2013). It remains to be seen how this money will be used.

Need of Measuring Effectiveness of CSR Given this amount, it is essential to have proper CSR strategies and mechanisms to measure their effectiveness. Decisions and actions should balance the global requirements of MDG (Millenium Development Goals), national interests, local community needs and, above all, protection of stakeholder interests. According to V. Kasturi Rangan of Harvard Business School, "Of all the companies involved in CSR, most of them are not effective". To others, it's about tackling global warming and environmental issues. The scope of CSR not only covers the local community, environmental issues; it also addresses the concerns of stakeholders across the value chain, particularly in the supply chain. Such a CSR strategy would be effective in helping a company to reduce the adverse impacts of its business, mitigate social risks and benefit all stakeholders particularly the local community across its value chain. Moreover, in an emerging economy like India, which values philanthropy and giving, the motivation to reinforce and engender this culture, requires an understanding, practice and disclosure of effectiveness.

12.2   Review of CSR Effectiveness Tools

Www.businessdictionary.com defines effectiveness as "doing the right thing." All organizations and businesses have an interest in measuring the effectiveness of their programs; and, in particular, how the programs have achieved their objectives. *HBS Working Knowledge explains* CSR Practice in terms of Primary Theatres. The different Motivations and Measures are classified as:

- Theatre 1 is the group of activities that are primarily motivated by charitable instincts, even though they may have potential business benefits.
- Theatre 2 represents CSR activities that are symbiotic and intended to benefit the company's bottom line as well as the environmental or social impacts of one or more of their value chain partners, including the supply chain, distribution channels, or production operations.
- Theatre 3 classifies programs that are aimed at fundamentally changing the business's ecosystem. A synergy between these theatres could be the way to enhanced societal well-being, though these are expected to be in the realm of strategic effectiveness.

According to http://www.businesslink.gov.uk, besides cutting costs and boosting sales, CSR has other significant benefits which are slightly harder to measure. These benefits—improved reputation, stronger customer loyalty and motivated employees—should not be overlooked and can, in fact, be measured. Business in the Community has designed the *CommunityMark*, which is the UK's only national standard that publicly recognizes excellence in community investment by business. Dr Pavel Castka (2005) explained that "the organization shall apply suitable methods for monitoring and, where applicable, measurement of the CSR management system processes. The organization shall, in addition to other measurements it needs to operate effectively, establish methods for measurement of different key parameters like stakeholder satisfaction, financial health, risk environment performance etc".

Happy Planet Index (HPI) The Happy Planet Index (HPI) is the leading global measure of sustainable well-being. The HPI measures what matters, the extent to which countries deliver long, happy, sustainable lives for the people that live in them. The Index uses global data on life expectancy, experienced well-being and Ecological Footprint to calculate this. The index is an efficiency measure; it ranks countries on how many long and happy lives they produce per unit of environmental input (Abdallah 2012). The above indices have generally focused on measuring the intent or motivation to CSR or the strategic outcomes to multiple stakeholders of business. However, there is a need for a tool to measure the effectiveness of CSR programs that focus themselves on communities alone at an operational level. The key clusters of such community programs are generally, Happiness of Community; Visibility of the company in community and Recognition of the company by stakeholders. It is very essential to have a tool to measure the effectiveness of the CSR programs. Tata Power has developed such a tool called the CSR Program Effectiveness Index (CPEI).

12.3 CSR Program Effectiveness Index

Tata Power is India's largest integrated power company with a significant international presence. The Company has an installed generation capacity of 8500 MW in India and a presence in all the segments of the power sector viz Generation (thermal, hydro, solar and wind), Transmission, Distribution and Trading. It has successful public-private partnerships in Generation, Transmission and Distribution in India. It is one of the largest renewable energy players in India and has developed the country's first 4000 MW Ultra Mega Power Project at Mundra (Gujarat) based on super-critical technology.

With the guiding philosophy of Jamshetji Tata, "In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence" Tata Power is applying the Triple Bottom Line approach to benefit the local communities. Several CSR programs have been initiated to build trust and improve the quality of life of our neighboring villages. Tata Power used to measure the CSR Programs with indicators such as Community Satisfaction Index (CSI)—the perception of community on CSR and feedback from local leaders.

Tata Power explored alternatives ways to measure effectiveness more objectively from both community and business perspectives After several years of field experience, the CSR Program Effectiveness Index (CPEI) was developed. The index measures the effectiveness of each program under three clusters: (1) Happiness of Community (carries 50 % of weightage), (2) Visibility of the Company in the community (30 %); and (3) Recognition of the company (20 %) (see Appendix IV).

Happiness of Community
Visibility
Recognition

CPEI uses the 10 parameters shown in the schematic (Fig. 12.1). Each of the parameters is measured to arrive an Index for effectiveness.

A brief explanation of the parameters is given in the following paragraphs:

12.3.1 Happiness of the Community

The intent of the company, through its CSR Program, is to create happiness among the community. Only if this is achieved for a large number of the people can the program be said to have fulfilled the expectations of the community. The major parameters are explained here:

- **Understand Needs of Community and Enable to Secure Them**: The Company should have a detailed process by which community needs are identified holistically i.e, using the relevant tools to measure adverse impact and social risks. Root causes of needs must be identified. Both community and the company should work together to find solutions i.e., co-create. An action plan with
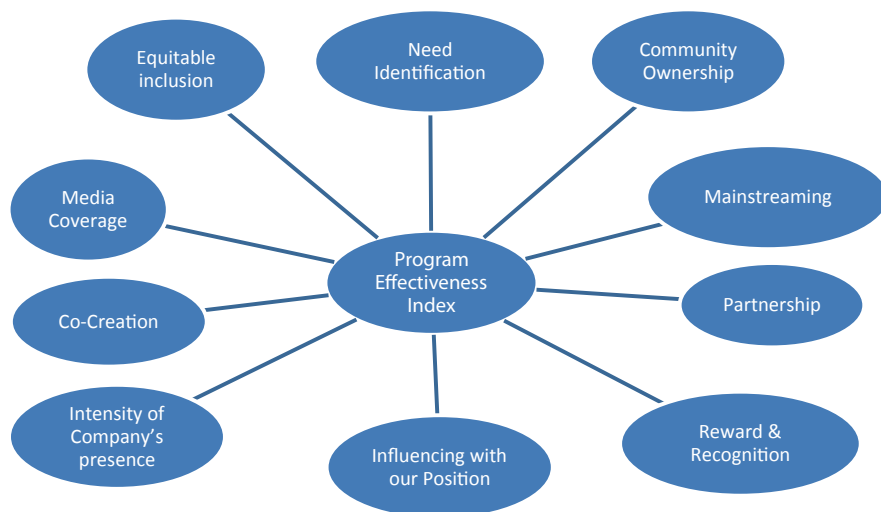
Fig. 12.1 Schematic for Measuring CPEI

time line and adequate resources should be finalized should be agreed upon by both company and community.

- **Wide Coverage and Equitable Inclusion**: The programs should be inclusive and reach out to the maximum people in the neighboring area of the company. The program should also include in its scope marginalized communities, particularly Scheduled Castes (SC)/ Dalits and Scheduled Tribes (STs)/ Tribals. There should be inter-dependency between the company and the community. For instance, the milkmen want to sell their milk and the company employees/ canteens are in need of milk. Here, both milkmen and company employees/ canteens are dependent on each other.
- **Community Ownership**: Community institutions should be built in such a manner that people accept the responsibility of sustaining the program and developing it further. Resources—endogenous as well as exogenous (capabilities, finance etc)—are identified, mapped and deployed to strengthen community institutions such that the people can execute the program on their own with specialist inputs from external agencies on basis of the need. Active participation of the local community is necessary to sustain the programs.

12.3.2   Recognition of the Company

It is important for the company to be recognized for its work. The major components of the recognition cluster are:

- **Mainstreaming with Government:** The CSR program should result in its mainstreaming with government systems and processes. For example, a company will

build a hospital and equip it. Eventually, it should be managed by the Government with the involvement of community so that the wider society benefits. There should be an explicit agreement between company and community and/ or government in this respect. Such programs/ models have the potential to be replicated by other agencies.

- **Partnership:** The Company should partner with expert organizations including the government, NGOs (local, national and international) for delivering better and effective result with a clear understanding about expectations, role and responsibility. It is also recommended that the partners be encouraged to mobilize a part of the resources required, up to 50 % of the total life cycle cost. Such partnerships result in getting the company due recognition.

- **Developing a position of Influence:** The programs should be such that it influences public policy for that field of activity and other companies. As an example, steel companies produce fly ash in huge quantities. This is an environmental challenge. For both company and the community. A CSR Program—involving the community to make bricks from fly ash—would result in a win-win situation for all the key stakeholders as it will generate employment and income for community, mitigate the environmental impact of fly ash and make construction material available at a cheaper price. Programs of this nature attract national and international attention and the interest of policy makers from the perspective forming suitable policies to enable recycling of waste products.

- **Reward and Recognition:** Programs should be models of excellence, which is recognized/ rewarded by reputed agencies. Association with reputed partner organizations results in recognition for company. Positive feedback from NGOs, Panchayat Bodies, Block/ Government authority also recognize the contribution of the Company.

12.3.3   Visibility of the Company in the Community

Visibility in the community is important for the company as it helps to enhance engagement levels with local community and stakeholders.

- **Intensity of Company's Presence in the Community:** The CSR team is the face of the company in the community. Their presence depends on the intensity of their engagement with the community. A positive atmosphere is created which, in turn, improves the engagement further. It makes for healthy community relations—and better interaction—when senior business leaders spend time with the community and participate in local functions.

- **Media Coverage:** The program should be implemented in such a manner that it does not invite negative media attention. The benefits and success of the CSR program should receive wide coverage (in the print and electronic media) locally, nationally and internationally. Coverage should be sustained so that it is retained in public memory for some time.

- **Co-Creation:** Co-creation is the key to create visibility. The local stakeholders and the company should identify issues and needs and also **co-create the**

Table 12.1 Site-wise Distri-
bution of CSR Activities

Site	CSR Program
Site 1	Health
Site 2	Agriculture
Site 3	Employability
Site 4	Sports
Site 5	Health
Site 6	Employability
Site 7	Water

solutions. This approach facilitates the discovery of unique and unconventional solutions. It also fosters the feeling of ownership within the community. The community should be enabled to manage the cost of running the program in the long term. There should be transparency at every stage of planning, implementation and evaluation (Table 12.1).

12.4   Analysis of CSR Program Effectiveness

CPEI was administered for one "major" program at each of the seven sites/ divisions/ locations of Tata Power during 2011–12. These programs appear to be the most significant for the respective site. The significance is determined by either one or more aspects like (a) high investment in terms of financial resource, (b) large coverage of community/ outreach and (c) time spent by the CSR team and company representatives. The head of CSR at each site gave the inputs, which were reviewed by an internal assessor at corporate office. The assessor verified the supporting information and documents followed up with a field visit to get community feedback. The major findings of the assessment are given below:

12.4.1   Overall Program Effectiveness

The average effectiveness of the seven sites is examined shown in Fig. 12.2. The best performance was by the Community Happiness cluster at 56%, followed Visibility with 29% and by Recognition with 15%. It is found that the happiness has performed better than the other two clusters.

12.4.2   Site Effectiveness

Figure 12.3 shows that the effectiveness of each cluster varies from program to program across sites. Site 6 performed the best with a weighted average of 20%.by site 7 (18%) for their employability and drinking water programs respectively. Site 4 scored the lowest (10%) for its health program. Site 7 scored the highest (22%)

Fig. 12.2 Overall Effective-
ness of CSR Programs
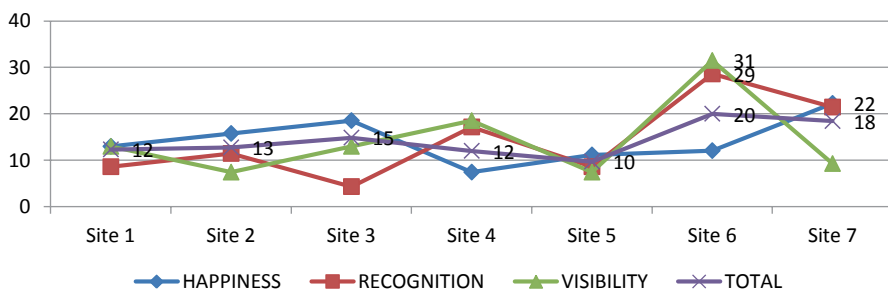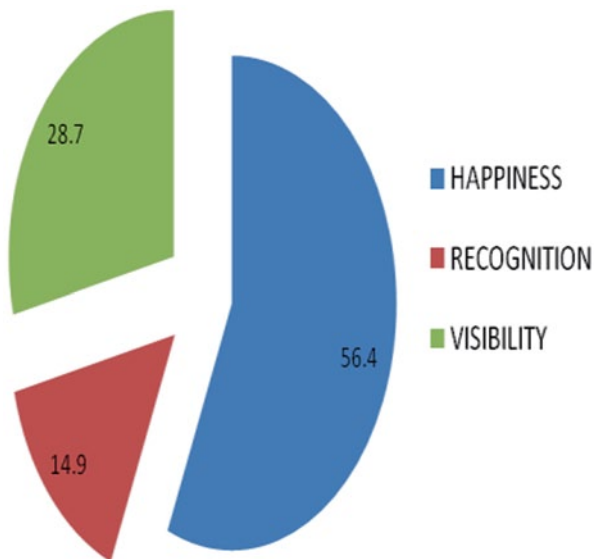
Fig. 12.3 Cluster wise Effectiveness of Each Site

for happiness. For visibility (31 %) and recognition (29 %) for their drinking water
and employability programs, site 6 scored the most. Site 4 scored the lowest for
happiness and site 3 for recognition.

12.4.3 Happiness of the Community

Figure 12.4 shows the breakup of the Happiness Cluster into its components
—Understanding community needs enabling it to secure them, Coverage and In-
clusiveness, and Community Ownership. Site 3 performed best in identifying com-
munity needs (weighted average 27 %) and for Coverage & inclusiveness (22 %)
whereas site 7 performed best in ownership (29 %).
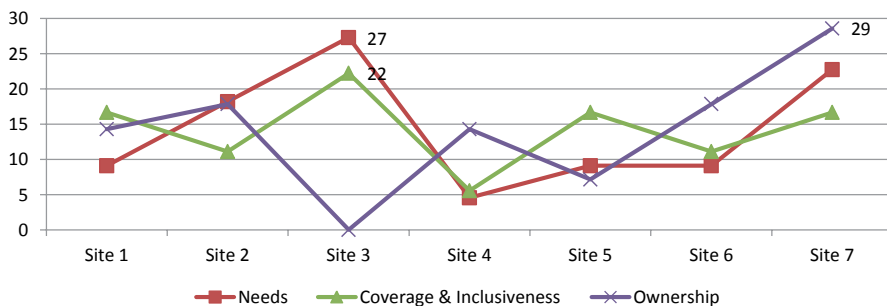
Fig. 12.4 Happiness of the Community

Site 3 performed the best in "Community Needs". It was found during assessment that this site had carried out formal need assessment and a social impact assessment (SIA) of the business on the community survey through an independent agency. It also engaged with elected Panchayat leaders, village leaders and Self-Help Groups to identify community needs from all perspectives—business, community and stakeholders. The needs were then prioritized and an employability program was finalized. Site 3 also had the best results for "*coverage and inclusiveness*". Site 3 offered an employability training program to all interested adolescent girls in its area of operations. The program helped the girls secure employment in nearby areas. The program was inclusive had special focus on underprivileged and marginalized groups, especially those girls from the Scheduled Castes & Scheduled Tribes (24%) and 50% Other Backward Castes (50%).

12.4.4 Community Ownership

On the "Community Ownership" parameter, Site 7 showed the highest performance. Here, the community contributed 15% of the capital cost of the drinking water program; the Gram Panchayat allocated land for the program and agreed to manage operations by involving the people. The local people were involved at every stage—from conceptualizing to execution. Local youth were trained on the technical aspects and management was handed over to the local community. However, "community ownership" scored low in the health care and sports programs because of poor community involvement in managing the programs.

12.4.5 Recognition of the Company

Stakeholder Recognition of the program is an encouraging factor for the company. The score for the four parameters of recognition—Mainstreaming of the program,
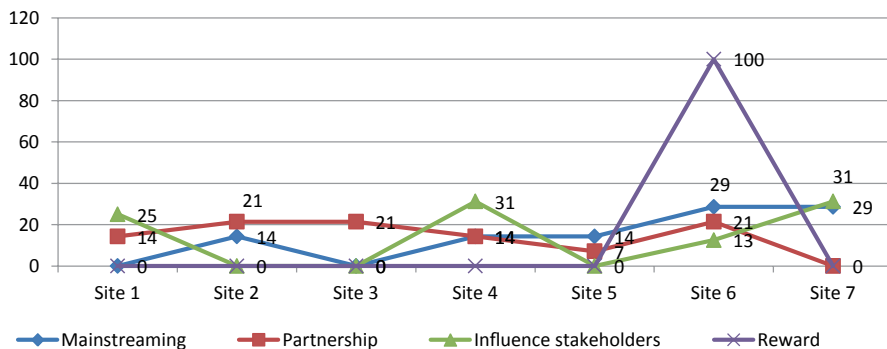
Fig. 12.5 Recognition of the Company

Partnership, Reward & recognition and Developing position of influence is given in Fig. 12.5.

Site 6 achieved the highest score "recognition" followed by site 7. Both Site 6 and Site 7 were the best performers in *mainstreaming* their employability and water programs with the government and community. Site 7 had an agreement with the Local Government (Panchayat) and the community that it would build a community drinking water facility that includes desalination of saline water. Site 6 had an understanding with the partner organization for cost sharing. The company contributes only 33 %, the balance amount is funded by the partner organization and community. However, Sites 1 and 3 scored zero on this parameter because the program was fully funded by the company. There are no plans as yet to mainstream the programs at these sites.

Sites 2, 3 and 6 had *partnerships* with leading NGOs, and Corporate entities. Site 6 had taken special efforts to ensure partnering with other companies within the group. They actively engaged to get projects completed on time and fulfill program objectives. For an example, a leading NGO that was working on employability had successfully trained young people and employed them. The results of the partnership were being shared on different forums.

Sites 1, 4 and 7 have received certificate and letters of appreciation letter from the Gram Panchayat for their development work. This won them higher scores for "reward and recognition". Site 6 has developed a successful model for employability. This program won the appreciation of the Chief Secretary and Industry Secretary of the state. This was the only site team who were invited to share their experience with a larger audience at various state level meetings and in management institutes.

12.4.6 Company Visibility

"Visibility of Program" is an important cluster of parameters from a company's perspective. This consists of, as stated earlier in this chapter, (a) Company's Presence
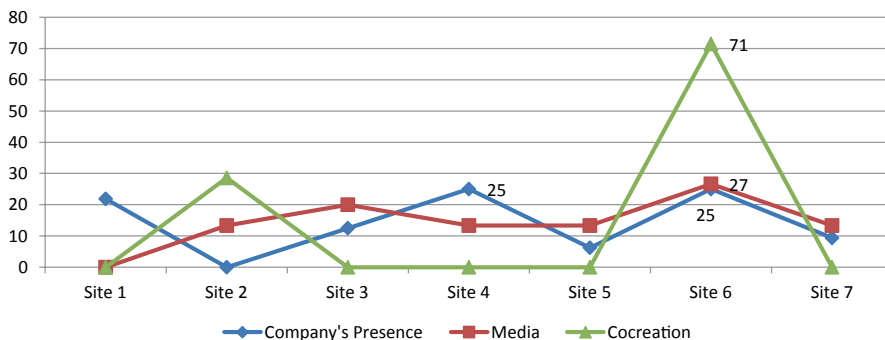
Fig. 12.6 Visibility of the Company in the Community Across Sites

in the Community, (b) Media coverage and (c) Co-creation (Fig. 12.6). Visibility was high for Site 6 as it the "company's presence in the community" was amply demonstrated. The CSR team for Site 6 spent 25 % of their time in the community. In addition volunteer employees devoted 2 % of their time to the community. They mobilized the youth, counseled and supported them according their issues and needs.

Site 1's team was fully engaged in community work. They conducted several CSR activities including health camps. The CSR Head of Site 4 spent about 10 % of his time and volunteers devoted 6 % of their working with the youth under the sports program. This commitment generated positive response from the community. It also encouraged the people share their problems and grievances with the company's CSR team. The issues would be escalated to senior company officers for timely resolution.

This employability program of Site 6 received wide media coverage. It was prominently reported in both the local and English newspapers. The publicity drew more applicants for the following year's program. No program attracted negative publicity

Sites 6 and 2 worked on *co-creation* with local community organizations. The programs were jointly publicized. Site 6 circulated pamphlets with program information among the youth. The publicity had the desired effect in attracting the youth to participate.

12.5   Major Findings

- CSR Program Effectiveness Index (CPEI) has three clusters– Happiness, which carries 50 % weight, Recognition 20 % and Visibility the remaining 30 %. The tool was developed in 2010–11 and was tried at seven sites of Tata Power in 2011–12.
- The relative performance of each cluster was observed. Community Happiness scored the highest with 56 %, Visibility 29 % and Recognition 15 %.

- Overall CPEI performance of Site 6 (20 %) was better than the other sites followed by Site 7 (18 %). Site 4 scored the lowest (10 %) for its health program.
- The happiness cluster is highest (22 %) for Site 7. Site 6 was the best in terms of program visibility (31 %) and recognition (29 %). Site 4 scored the lowest in happiness, Site 3 in recognition, and Site 2 for visibility for healthcare, employability and agriculture programs respectively.
- Site performances within cluster varied across parameters. Site 3 performed best in both for identifying community needs (weighted average 27 %) and in Coverage & Inclusiveness (22 %), whereas site 7 scored best in ownership (29 %). The key features of the respective programs were:
- Site 3 had carried out a thorough study to identify needs and facilitated community actions to fulfill them.
- Site 3's program had good Coverage and Inclusiveness. Program participants included 24 % of SC & ST and 50 % of OBC girls.
- Site 7 performed the best in "ownership". The community contributed 15 % of the capital cost of the program and, on completion of the project, accepted responsibility for its continuing operation.
- Stakeholder recognition of programs is a major motivation for the company. In this cluster, too, site performances varied across parameters. Site 6 had the highest score in recognition (weighted average 29 %) followed by Site 7 (21 %).
- Both Site 6 and Site 7 have ensured the "mainstreaming" of their programs with the government and/ or community.
- Sites 2, 3 and 6 conducted its programs in "partnerships" with leading NGOs and other companies. The partners have engaged actively to fulfill the objective of the projects timely. The outcomes of partnership are shared in different forums.
- Sites 1, 4 and 7 have been awarded certificates and letters of appreciation from the Gram Panchayat for their development work. This fetched them higher scores for "reward and recognition". The employability program of site 6 was commended by the Chief Secretary and Industry Secretary of the state.
- One site team was invited by state level industry organizations and management institutes to share its program experiences with larger audiences.
- Under "Visibility of the program" Site 6 were awarded the highest score (weighted average 31 %) followed by site 4 (19 %). The performances in individual parameters were:
- Site 6 demonstrated the company's presence in the community by spending 25 % of their time in the community.
- The program of Site 6 was extensively covered by the local media for three days. It also featured prominently in English language newspapers of the state.
- Sites 6 and 2 have endeavored for co-creation by prominently publicizing their initiatives with the help of local community organizations.

12.6   Conclusion

It is our belief that the composite model described here is the first of its kind to be used by a company to evaluate its community programs. It also shows that community happiness is given the highest priority by the company and also the need to dedicate more efforts to improve visibility and recognition. Although the company must work hard to improve the scores, there are a few key areas that deserve particular attention:

- The process for identification of community needs must be holistic and have an objective rationale. There must a comprehensive assessment of the proposed initiatives which include assessment of social impact, and risk. Community needs and expectations must be captured and all stakeholder concerns be addressed. Community involvement in the process is the must as it is the intended beneficiary of the programs. It is also necessary to bear in mind those issues of national importance—e.g. Polio eradication, education of the girl child, etc.—may not necessarily be a priority for the local community. Thus, problems of local importance should be given a higher priority.
- Community ownership of the programs must be improved. In most cases, the company had invested a lot in a program without any contributions from the community. Thus, it is necessary to work through village level institutions and community organizations. The must focus its initiatives on the formation of institutions, building their capacities and ensuring that there are enough resources to sustain the program.
- CSR teams and volunteers must spend more time in the community to increase the company's visibility. Increased visibility and engagement go together. Communications improve and issues are resolved faster. Participation in local events and festivals is an excellent way to build bridges and increase visibility.
- Mainstreaming is essential for any CSR program. Presently, the programs are implemented to address short term needs of the community. However, CSR initiatives must be designed in such a manner that, eventually, either the government or community or both must drive it subsequently.
- Programs and achievements must receive wide publicity. Efforts must also be made to identify areas which offer potential for a leadership position for the company for example increased agriculture productivity by introducing scientific practices, agriculture inputs in areas like Nirsa block of Dhanbad District in Jharkhand. This will certainly encourage community members to use such practices for increasing their productivity. Through word of mouth, the message will spread across the geography that the effort of the company in building the community. Various stakeholders will look at such programs and strive towards improving the standards of such activities. This would result in continuous efforts to improve program standards. The outcomes and learning can be shared with other organizations.

12.7   The Way Forward

The Community Program Effectiveness Index is an effective tool for measuring the effectiveness of CSR programs executed by companies. The tool not only measures the extent of community happiness; it also measures program effectiveness from the company's perspective. Though we used it as a tool to measure the program effectiveness, it is suggested that CPEI also be used in the planning of development programs. If all the parameters are considered in the planning processes, the likelihood of effective implementation is more. Using CPEI index may result in program effectiveness and better sustainability, higher levels of happiness in the local community and gains to the company in terms of increased visibility and recognition of its commitment to community and societal development.

All the parameters used in the measurement of CPEI keep in mind the requirement of business and needs of development. This tool can be used by companies to measure the effectiveness of their programs. However, depending on their social priorities and program adjectives, organizations may weight the parameters differently or include more parameters.

- **Capacity Domain at Individual Company Level**: By measuring program effectiveness, CPEI will help companies to develop a clear vision of desired development outcomes. It can also be used as a program designing tool. It is also recommended that all partners—Community, NGOs, Government and other companies, etc are agreed on its use to measure effectiveness of the program. CPEI can also be used to motivate partners to work for program success. It is also a tool that can be used as a reference point for learning and planning program improvement.
- **Institutional Development for Effectiveness in CSR**: CPEI seeks to measure effectiveness of the community programs of a company. However, CSR encompasses multiple stakeholders along the value chain (of which the supply chain is a critical part); and also multiple business verticals from product development to operations, marketing to distribution, etc. From its present use as a tool for standalone programs, CPEI can be improved upon by extending its use in integrated programs. Companies implement integrated CSR program for the benefit of their community; and, in some cases, a single program is implemented for a wider base to meet national development goals. CPEI can be customized for measuring the effectiveness of integrated programs.
- **Multi Actor Interpretation**: At any given time, there are several agencies working for the development of a location. In many cases, these agencies work independently of each other, but there is a cumulative impact on the community. For example, the Government runs Universal Elementary Education (Sarva Sikhya Abhiyan) program in a particular location. It is very likely that, in the same place, a company is supporting the school while an NGO would be working to get children to attend school. Each agency is working independently of the others, but performing an important role to achieve the objective. It is, therefore, essential to measure the effectiveness of these programs separately (standalone) and cumulatively (integrated) for an objective assessment.

Annexure IV

CSR Program Effective Index Format

Effectiveness Clusters and Parameters		
Happiness of the Community	Weightage 50	Weight age to be assigned as per theto parameter
Understanding Needs	20	A Root cause analysis of issues, needs and problems are carried out following the documentation processes, signed- off or agreed by community and the company
Coverage and Inclusiveness	10	All categories of community benefited from the program. The program has specific strategy and action plan for the inclusion of communities that are traditionally excluded. All interdependencies within the project/site are reviewed and addressed. Explored and exploited
Ownership by community	20	Community institutions are in place and strengthened by building their capabilities. The program is managed by the community having with their contribution resources (operating costs, manpower, etc.), receiving only limited and specialized support from external stakeholders. The program results in improving the standard of living of people
Recognition of the Company	Weightage 20	100% of the weightage (20 Points)
Mainstreaming with Government	5	A Written Agreement with Government and community to provide both capital and recurring costs
		The proposed by program is identified by the Government t. for replication in other areas
Partnership	5	Number of agencies involved including government, NGOs and international agencies with their who make their contributions towards the program
		Role of project/site is clear and an exit clause exists in the partnership agreement
		Agencies disseminate information about spread message of such initiatives among a wider audience
Developing position and Influencing others	5	The program in has very high standard very high standards which are had acknowledgement from by peers in the sector
		Invitations from national/ international forum to share the learning/ and experience. (with All costs paid by the hosts)
		The Policy makers invite participation by Program Mangers the site/ plant to participate in policy formulation
		Relationship emerges between influential stakeholder and the project/site due to the sharing of experience

Effectiveness Clusters and Parameters		
Reward and Recognition	5	Certification from each of NGO, Panchayat, District Government to activity of the project/site
		The beneficiaries provide formative and creative feedback
		Awards for Excellence of Programs Receiving high excellence award
Visibility of the Company in Community	Weightage 30	100% of the weight age (30 Points)
Intensity of Company's presence	15	Project/Site CR Team, senior business leaders should spend substantial time in the field and engage with local community
		Participation by the company in significant cultural activities of the area. Identification of local cultural icon in community and association of the company with that
		Newsletter in local language covering about the program, circulated to local community as well as other stakeholders Information in the local language (company newsletters, pamphlets, etc.) about programs are circulated in the community
Media Coverage	5	No negative media coverage. story covered in media throughout the period
		Multiple Frequent coverage of the program in different occasion in multiple more than one language (local, national and international) in language by local, regional, national and international (print as well as electronic media)
Co-Creation	10	Combined efforts should be initiated in the community like Village Development.
		Signage and other forms of publicity with carrying program details, investment, benefits to community, etc. should be displayed in common places
		Co-creation should have More than 50% of this occasion are managed jointly project/ site and participation by community
Total	100	

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Chapter 13
Corporate Social Responsibility and Community Development in Assam: A Case Study of Oil India Limited

Pulak Dhar

Abstract In post- liberalization India, corporate social responsibility (CSR) has broader implications for the nation than ever before. It reduces dependence on the government for action on social issues. The majority of government programs has become enmeshed in political manipulation, corruption and bitter infighting. As per the latest guidelines released by the Government of India, one of the important objectives for the implementation of CSR schemes by Central Public Sector Enterprise (CPSE) is to generate community goodwill, create social impact and visibility. Oil India Limited (OIL), a Navaratna (The Government of India, in 1997, accorded the status of 'Navratna' nine Public Sector Enterprises (PSEs) which gave them greater autonomy to compete in the global market so as to "support [them] in their drive to become global giants". Since then, the number of PSEs with a 'Navratna' status has been raised to 15. SOURCE: wikipedia.org) PSE that has a large footprint in Assam, considers community development (CD) as a key element of its CSR program. Assam is the gateway to north-east India and is not yet free from ethnic conflicts, insurgency and governance issues. There is a need for public-private partnership with well-defined controls, processes and the optimum use of resources to achieve social change. Participatory planning, building local capacities and financial sustainability can reinforce peace and tranquility in the region. It has been seen in the last decade that OIL, with its proactive approach towards community development, has generated immense goodwill which has benefited the company and the larger community in Assam. The central argument of this paper is that globalization, liberalization and forces of isomorphism have changed stakeholder expectations and are now of increased importance in managing business that is based on "beyond profit" motives and in a socially responsible way. The author has adopted the exploratory research design with qualitative techniques to cite OIL's community development initiatives.

Keywords Corporate social responsibility · Community development · Community goodwill · Social impact

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13.1   Introduction

Corporate social responsibility (CSR) has become a major focus of governments and corporations during the last decade owing to the broader impact of the corporation on its stakeholders than ever before. The emerging concept of CSR advocates moving away from a "shareholder" to a "stakeholder" focus. Stakeholders include investors, employees, partners, customers, regulators, supply chain, local communities, the environment and the society at large. The emphasis is on improving its social responsibility towards the community and a huge class of stakeholders. The development of the association between companies and society in India has been one of slow change from philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining vital importance. In the last two decades there has been a shift in the nature of relationship between companies, the state and the society. As of now, the Indian business economy is in the process of consolidating its post-liberalization corporate governance model. The essence of good corporate governance is ensuring trustworthy relations between the organization and its stakeholders. The tenets of corporate governance have been very aptly introduced in Oil India Ltd (OIL), a public sector enterprise with major operations in Assam. Oil India Limited has already earned the reputation of being one of the India's most admired companies and has Navaratna status. OIL views community development as a genuine expression of goodwill and responsibility towards humanity and the nation.

Assam has been found to be backward in its industrial growth owing to insufficient power supply, ethnic conflicts, and the vicious cycle of insurgency and infrastructure bottlenecks. Against this backdrop, the author endeavors to explain how CSR implementation by OIL helps build trust and confidence amongst the different stakeholders for long-term survival of business.

13.2   Materials and Methods

In this paper, the CSR and Community Development (CD) interface in India is discussed first. The context of the study is presented next, which is followed by a discussion of OIL's initiatives and the views of the beneficiaries of its programs. The author has collected primary data from different beneficiaries of the various CSR programs and also the managers of OIL. Secondary data was collected from annual reports, house journals and the company's website.

13.3   Corporate Social Responsibility and Community
         Development Interface in India

India is a country with a rich multicultural heritage. The striking features of its society are contrasts and contradictions, continuities and discontinuities. Progress has ridden on the wave of some of the most advanced technologies of the time.

India's economic growth during the last decade, though consistently good, has not reached all levels of society. At the national summit on CSR 2008, industrialists argued that making CSR an integral part of each company's DNA is the mechanism by which to achieve inclusive growth CII 2008 Lee (2009). Chauhad (2007), in her study, found that community development is key to India's CSR agenda. Companies concentrate their resources on certain areas of community development like education, vocational training, health, environment and corporate volunteering. The study revealed that some respondent companies argued that the need for community development in India is urgent because of the current development challenges. Most companies also pointed out that company and community representatives had often arranged the planning and implementation of community development projects jointly. Narwal and Sharma (2008), in their paper, indicated that various stakeholders are expressing concern for CSR issues in different ways. The Indian government is trying to convince the corporate sector to include all sections of the society into the economic growth. The corporate sector has responded by way of affirmative action and sharing the benefits of growth with other sections of society. The media and NGOs are increasing the societal awareness. Lee (2009), in his paper, cited that there is a strong culture of solidarity, consensus building and trust in Indian CSR programs. There is also the idea that many critical endeavors cannot be carried out by individuals alone. Much of the discourse surrounding CSR programs focuses on the involvement of employees as well as the beneficiaries.

Imaginative constructions of the idea of society through a people-centric and inclusive CSR approach were explicitly stated in a speech by the Indian Prime Minister, Dr Manmohan Singh (May 25, 2007). The second point of the Prime Minister's Ten Point "Social Charter" stated that "corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the region in which a corporate entity functions". The social charter called for inclusive growth and affirmative action from the corporate sector. In December, 2009 Voluntary CSR guidelines were issued by the Ministry of Corporate Affairs. Subsequently, the Indian public sector was issued a set of policy guidelines on corporate social responsibility for Central Public Sector Enterprises (CPSEs), which is also linked to CSR and the Millennium Development Goals (MDGs). One significant element of the guidelines is that a CSR budget must be mandatorily created and approved by a board resolution. The budget may vary from 0.5 to 5.0% of the company's net profit. Thus, by reasonably accurate, Indian companies will spend Rs 8,700 crore on their CSR initiatives every financial year. This may appear to be a small amount, especially considering that 90% of Indians are employed in the informal sector. However, these guidelines are an important step to directing investments towards economic and social infrastructure (Sial 2011). In the implementation of their CSR initiatives, CPSEs must consider an important objective while identifying a project: "CSR activities should generate community goodwill, create social impact and visibility." This suggests that generating community goodwill requires the CSR functions performed by organizations in the host communities must serve the community's development needs or, at the least, the perceived needs of the people.

According to the United Nations (1971) community development (CD) is "an organized effort of individuals in a community conducted in such a way to help solve community problem with some help from external organizations". External organizations include government agencies and organizations, non-governmental organizations and businesses of various types and size ranging from small and medium enterprises to multinational corporations. The UN's definition of CD emphasizes creativity and self-reliance in the community for short and long term goals.

From the perspective of people's participation, CD is essentially an educational and organizational process. The key purpose is to work with disadvantaged communities to enable them to collectively identify their needs and rights, clarify objectives and take action to meet these within a democratic framework which respects the needs and rights of others. It is an undeniable fact that CSR has implications on community and community development in many ways.

Ismail (2009) suggested another term that is closer to CD—community work, which proposes the active involvement of people in the issues that affect their lives and focuses on the relation between individuals and groups, and the institutions which shape their everyday experience. It is a developmental process that is both a collective and individual experience. It is based on a commitment to equal partnership between all those involved to enable a sharing of skills, awareness, knowledge and experience in order to bring about change.

According to a World Bank report, extractive companies, because of their large social, physical and environmental footprint have an obvious powerful incentive to invest in their host communities. Company motivation to invest in communities can include, inter alia, philanthropy, legal compliance, and mitigation of negative impacts, thereby creating positive effect and acquiring and maintaining a social license to operate (Owen 2007).

Corporate social responsibility has much a broader implication for the nation as a whole in the post-liberalization scenario. It reduces dependency on the government for every social change. Public partnership must have well-defined controls and processes for the best use of resources for social change. Community participation is a valuable tool in managing community development programs. Social reforms driven by the community will bring people together and concentrate the attention of the masses to the tasks that benefits society and reinforces peace, harmony and tranquility.

13.4 Assam, the Context of this Study

Assam's industrial development was affected mainly due to the state's physical and political isolation. It is a landlocked State in India's eastern periphery and is connected to the mainland by the narrow Siliguri Corridor—also known as the Chicken's Neck. Assam is prone to floods and cyclones. Moreover, poor transportation infrastructure compounded this geographical disadvantage resulting in limited access to the mainland.

Assam's economy is dominated by two major industries—oil and natural gas, and tea. The oil and natural gas industry is government-controlled. The tea industry in Assam, which accounts for about 50% of the country's total tea production, is mainly privately-owned and run. Both sectors have made considerable progress over the years and have maintained their predominant position in the state. The other important industries in Assam include mining of coal and limestone.

The history of Assam's industrialization dates back to the beginning of the nineteenth century when the country's first petroleum refinery was set up by the British at Digboi in Upper Assam. After tea and petroleum came the plywood industry. With the advent of independence, the trade began to witness participation by mainland Indians. This phase saw the establishment of smaller sawmills, flour mills, rice mills, oil expeller units, confectioneries and others. They also enjoyed the patronage of entrepreneurs.

Central Government projects also came up in Assam like Guwahati Refinery, Bokajan Cement factory, Oil India Ltd., ONGC Ltd., HFC Ltd., HPC Ltd., Bongaigaon Refinery and Petrochemical and, more recently, the Numaligarh Refinery. The state government also contributed to industrialization process by promoting a few large industries in the pulp and paper, petrochemicals, fertilizer, sugar and textile sectors. In between, there have been a sizable number of small scale units. More recently, a good number of medium scale projects have come up, particularly with the support of State financial Institutions.

The Government of Assam formulated the Industrial Policy Resolution of 1997 based on the experiences of implementation of their Industrial Policies of 1982, 1986 and 1991. The Industrial Policy was to provide an effective thrust to expeditious promotion and growth of all industries with a view to creating a strong industrial base and employment opportunities in various fields. However, the growth rate and the rate of new investments leave a lot to be desired. In fact, it was falling behind the other states.

Economists and political scientists attribute this lack of progress to various reasons like Infrastructure deficiency, communications bottlenecks, ethnic conflicts, insurgency, youth unrest and indifferent governance. In such an environment, all institutions, including businesses, must understand their respective roles. In the last few years a few major corporations have made significant contributions towards community development by helping working for business and community sustainability. Such companies have adopted a proactive approach towards socio-economic development in Assam.

13.5   Oil India Limited

Oil India Limited (OIL) is a CPSE under the administrative control of THE Ministry of Petroleum and Natural Gas, Government of India. The company is engaged in the exploration and production of crude oil and natural gas, mainly in the state of Assam. Beginning with the drilling of shallow wells in before World War II, OIL

Table 13.1 Production, sales and financial highlights of Oil India Limited (5 years at a glance, Source: Annual reports of Oil India Limited)

Products	Financial year				
	2011–2012	2010–2011	2009–2010	2008–2009	2007–2008
Crude Oil(TMT)	3.83	3.59	3.57	3.47	3.10
Natural Gas(MMSCM)	2633	2353	2416	2268	2340
LPG(TMT)	52	45	45	48	48
Sales					
Products	Financial year				
	2011–2012	2010–2011	2009–2010	2008–2009	2007–2008
Crude Oil(TMT)	3.80	3.56	3.56	3.44	3.09
Natural Gas(MMSCM)	2093	1809	1863	1737	1829
LPG(TMT)	52	45	45	48	48
Profit after Tax (PAT) amounts shown in Crore (Rs)					
	2011–2012	2010–2011	2009–2010	2008–2009	2007–2008
	3447	2888	2611	2162	1789

embarked on an exciting journey of exploration for deeper hydrocarbons in Upper Assam and Arunachal Pradesh. The company also produces liquefied petroleum gas (LPG) in its plant at Duliajan.

Domestic fuel demand was expected to maintain its growth trend of 3.8% in fiscal 2012. With a view to meet the country's growing energy needs, OIL has accelerated its exploration program in the frontier areas of the North-East, which have proven hydrocarbon deposits. In recent years, the company has extended its operations to other parts of the country as in the Gulf and other countries. The information presented in Table 13.1 highlights the strategic importance of OIL's operations.

With a century old legacy, Oil India Limited has evolved into a "people's company" by being actively involved in the overall development of the people residing in and around the company's operational areas, especially in Assam. Oil India Ltd's corporate social responsibility vision statement says, "OIL is a responsible corporate citizen deeply committed to socio-economic development in its areas of operation". OIL considers its CSR as, "OIL is a responsible corporate citizen which operates in a legal, ethical and economic environment, committed towards the society, to contribute to sustainable development in its areas of operation for the community, employees and their families, shareholders, customers, suppliers and other stakeholders in ways that enhance the value for both the business and society".

In its CSR strategy, OIL emphasizes on the involvement in community to facilitate business partnerships in projects that benefit marginal and disadvantaged communities. Oil India Limited views social welfare as a genuine expression of goodwill and responsibility towards humanity and the nation. The social welfare projects undertaken by OIL can briefly be summed up as under:

- Oil India Limited has developed over 1400 km. of roads and built almost 150 bridges in its operational areas in Assam through its Area Development Schemes.

Table 13.2 Funds allocated and utilized for corporate social responsibility in Oil India Limited during 2009–2012. (Source: Primary data collected by the author)

Year	Total funds allocated (Rs) (Crore)	% of PAT of Previous year	Funds utilised (Rs)
2009–2010	20.00	0.95	24.12 Crore
2010–2011	20.00	0.95	21.11 Crore
2011–2012	51.19	2	31.11 Crore (till September, 2011)

- OIL runs a Handicraft Training and Production Centre in collaboration with State Institute of Rural Development (SIRD) and NGOs where stipendiary training is extended to rural women.
- The Environmental cleaning & Tree plantation are one of the thrust areas of the company.
- OIL has earmarked special funds for upliftment of education, health and socioeconomic development of the Scheduled Castes and Tribes (traditionally disadvantaged communities, as specified in the Indian Constitution).
- OIL has a legacy of promoting and fostering sports.

A 150 bed modern hospital of OIL at Duliajan (Assam) caters not only to the needs of its employees and their dependents; it also provides subsidized services to common people in and around its operational area. Under its Mobile Dispensary services medical teams periodically visit villages in the interior and provide free medical care. OIL also has a MoU with St Luke's hospital, Tinsukia (Assam) for extending of mobile health care services. The program for financial assistance to various NGOs for meeting the primary health needs of people in and around its operational areas is also widely appreciated.

OIL has also a program for development of entrepreneurial skills of young people and it does not refrain to advice on venture of new business and growth of existing business.

Table 13.2 shows the allocation of funds for CSR programs and their utilization.

To fulfill the expectations of the people of 1400 villages that lie in its operational areas, the company has undertaken a long-term project named RUPANTAR (Assamese for transformation), which can help the unemployed youths to find alternate source of employment. The project aims to create self-employment avenues and promote entrepreneurship in the region and generate sustainable sources of livelihood. The main impact expected in this project was that alternative job opportunities would ensure that unemployed youth do not ventilate their frustration on OIL by frequently calling for strikes and blockades as a mean to pressurize the company into providing jobs.

Under RUPANTAR, SHGs are engaged in various agro-based economic activities like farm- mechanization, area-based horticulture, floriculture and composite farming, mushroom cultivation, animal husbandry, micro enterprise development of poultry, piggeries, cattle rearing, honey production, bamboo handicrafts, computer applications, and training in a range of handloom products for economic empowerment of women.

Table 13.3 SHGs formed across activities and sources of Funding. (Source: Primary data collected by the author)

Activities	Nos of SHGs	Funds from Rupantar (Million Rupees)	Funds from State Institute of Rural Development	Loan from Banks
Farm mechanisation	668	13	6	26
Dairy	67	4	2	13
Pig breeding	101	2	1	4
Duck rearing	144	1	0.12	0.20
Goat rearing	56	1	0.04	0.32
Mushroom	49	0.67	0.40	1
Handloom	145	0.89	0.88	1.55
Food processing	89	0.44	–	1
ICT training	233	5	2	–
Farmers service	76	0.97	1	12
Agro marketing	151	0.94	0.40	2
Broom making	81	0.31	0.14	1

13.6   Project Summary as on 01-04-2010

Till 2010, 1720 SHGs were formed covering for 12 economic activities (Table 13.3):

A marketing outlet, AASTHA, has been opened at Duliajan. There are efforts to set up small marketing outlets in Dibrugarh and Tinsukia towns. A growth center with modern handlooms was established for training and production of diversified handloom products made from Assam silk. Six batches of weavers from various areas have successfully completed a two-month training program. These trained weavers formed SHGs and are now eligible for loans to start their respective specialized silk training-cum-production weaving centers. Apart from ongoing projects under RUPANTAR with the SIRD, OIL has taken efforts for implementation of a bamboo cultivation project in the company's operational area. For technical support, OIL has held discussions with the Rain Forest Research Institute, Jorhat (Assam) to help motivate people to cultivate bamboos as it is identified as 'Green Gold'. The Technology Information, Forecasting and Assessment Council (TIFAC) has extended financial support for the pilot project as indicated above and has also conducted a training workshop on Bamboo Shoot processing. The OIL's role in this process is that of a facilitator to the local community, who lack awareness and technical and financial support to take on entrepreneurial roles.

There exists a widely accepted view that, in discharging social responsibility obligations, the desired effects of the affirmative action must be felt by the people. Hence needs and objectives must be thoroughly assessed. Thus, to facilitate its ongoing CD programs, a MoU with Dibrugarh University has been executed by OIL for conducting a need assessment study and social audit of its programs in and around its operational areas in Assam and Arunachal Pradesh (another Northeastern State). A MoU has also been executed with Tata Institute of Social Sciences

Table 13.4 Distribution of beneficiaries across thrust areas

Sl N	Thrust area	Numbers of beneficiaries
1	Health Programmes	
	Nos Medical Camps conducted	779
	Nos of Patients registered for treatment	1,71,387
2	Agriculture Programmes	
	Nos of village adopted	67
	Total Rural families benefited	7199
3	Self Employment Programmes	
	SHGs formed	4640
	Credit Linkage extended	2582
	Handicraft Training	32
	Weavers Training	1346

(TISS), Mumbai to identify, evaluate and advice on key projects that are to undertaken in certain thrust areas within the broad framework of national CSR guidelines issued by the Department of Public Enterprises, Government of India. Also, based on the feasibility study conducted by FAITH Health Care (P) Limited, New Delhi, the Company has undertaken gradation of infrastructure, amenities and skills of staffs of three rural hospitals to reduce infant mortality and improve pre natal care and mothers' health.

Table 13.4 shows the reach of OIL's CD programs

OIL's CSR strategy includes several approaches to implementation—advocacy, building partnerships and capacity building.

13.7 Advocacy

Advocacy programs target key decision-makers of multilateral as well as bilateral agencies, government and non-government organizations by convening meetings between decision- makers, CEO's and other personnel who play an important role in decision-making process. OIL advocates the case for their contribution to development on the social, economic and environmental fronts.

13.8 Building Partnerships

OIL acts as an intermediary by introducing key partners in cross sector organizations from business, State and Civil Society and thus brings together complementary skills and experiences in these sectors. In its role as facilitator, OIL endeavors to rope in different groups to pool their expertise to participate in a process for objectives that they could not have achieved on their own.

13.9   Capacity Building

OIL plays an important role in building the capacities of individuals and organizations by using the partnership approach. The idea of cross sector partnerships has the capacity to bring about an attitudinal change in the organization, as the cases indicate.

The success of activities for community development through corporate involvement depends on capacity building and continuous support services. The important aspect of OIL's involvement in the community is: Identifying programs that have a core business match and articulate a 'Win–Win' strategy for all stakeholders. OIL provides inputs on all aspects of a specific program cycle's management. This includes needs analysis, project design, implementation, project monitoring and evaluation.

In order to make the Self Help Groups strong and sustainable, the focus is on capacity building. Training to build managerial capacity and skills upgradation programs also get adequate attention. Technology support services are provided depending upon the activity and client group. Linkages are made between self-help groups and specialized institutions within and outside the state. Finally constant monitoring and field-level guidance is provided to implement community development activities in their entirety.

13.10   CSR Awards

OILs exemplary achievements in corporate social responsibility have earned due recognition. The World Council for Corporate Governance presented Oil India Limited with the Golden Peacock Award for CSR in 2002 and again in 2010 at the 5th Global Conference. OIL also bagged the prestigious TERI CSR award in 2004. OIL's flagship CSR initiative "RUPANTAR", for its support of SHGs, was recognized as one of the twelve best CSR initiatives across global companies at the 20th World Petroleum Congress (WPC) at Doha.

13.11   Beneficiaries Views

Without understanding the views of beneficiaries, the impact of CSR, community development cannot be gauged. The author had built rapport with some beneficiaries of OILs CSR program. With the help of local grass root level political institutions, a group discussion among the beneficiaries was organized in a Village Panchayat of OILs operational area. The criteria for selecting the participants were that they must be in the age group of 25–50 years. They must also be local residents of the community in which the development projects are in operation. At least one member should belong to SC/ST community., Besides, women, local opinion leaders and a government official were made part of the discussion.

The discussion was held in the month of June, 2010 and was attended by a total of 23 members. Two prominent local personalities were also present of whom one was a retired principal of a nearby college and the other was an advocate of the Guwahati High Court. There were two women beneficiaries, five local farmers who benefited from the Rupantar Project, two tribal girls who attended handloom training courses, a high school teacher and one officer from the State Institute of Rural Development.

The author introduced himself to the group and explained the purpose of the group meeting. The recalled that company's people-friendly approach existed since his younger days. The managers would go to the villages for any kind of help. The managers and workers would participate in cultural programs like Bihu, Puja The relations have always been cordial and the bonds strengthened with the passing years.

OIL's 'will' for long-term community development programs emerged from this long-term association. According to the teacher, OIL's community development program had great impact on the socio-economic development of the districts of Tinsukia & Dibrugarh. He also remarked that there was hardly any high school that had not got financial assistance from the company. He was particularly happy that, due the active support of the OIL, his high school became one of the best institutes with a well equipped library and laboratory. The student community had immensely benefited. In contrast, the government was unable to extend such facilities to schools due to lack of adequate funds.

The retired principal and advocate opined that corporations' social intervention services in the area of health (through mobile medical unit), and income generation (through modern agriculture practices) and handloom training programs were commendable. OIL's contribution to sports was also appreciated. Both indigenous and others sports are now getting encouragement and sponsorships. Infrastructure development in the form of construction of small bridges and blacktopping of roads had completely changed the district's scenario. However, the principal also opined that OIL should involve panchayat members and the local people while selecting beneficiaries for their projects. They should not depend only on government officials.

The women beneficiaries described the health care facilities of the mobile health unit and health awareness programs of the OIL. They admitted that they, their children and other ailing family members had substantially benefited from these services. In the event of critical illness, the corporation's hospital extended the necessary medical support. The beneficiaries appreciated the cooperation and services of the doctors and paramedical staff. It was seen that the women beneficiaries had positive views about the medical services of corporation. However, they also suggested that the mobile health unit be equipped to provide gynaecological services.

The tribal girls spoke about their selection for the training course and OIL's support (with a stipend) for training in handlooms. The links developed with the help of the company enabled them to obtain loans from banks to set up their handloom units for commercial production. The girls also recalled with pride the support of OIL's ladies club to whom they sold some of their products. The beneficiaries had a better perception about the benefits of the training program and its future. The participants also expressed the need of hostel facilities so that girls could come from distant places for the training. This would make the training programs more inclusive and far reaching in its benefits.

The local farmers spoke about how they benefitted from the *Rupantar* project. They received tractor loans from banks to modernize their agricultural practices. With improved techniques, outputs and, consequently, family incomes have increased. But the farmers also felt that an alternative source of income is necessary, especially during off-season and in times of natural calamities. Under the present program, beneficiaries selected for one activity are not entitled to support for other economic activities. To sustain themsleves, the farmers wanted to diversify into other agro and non –agro activities like duck and goat rearing for which they needed both financial (arrangement of credit link) and technical (related support of livestock) support.

The SIRD officer, while expressing his opinion that many things are not possible in the government institutions due to red tape, also commended the enthusiasm of OIL's managers who, with their entrepreneurial zeal and technical skills have made a mark in development. The long term benefits will be felt by all sections of society. As a key staff of rural development program, he found the CD programs of the corporation to be sustainable. The SIRD officer also agreed that there was a change in the mindset of people for self employment avenues. He also opined that, for increased effectiveness of CSR programs, OIL should consider recruiting full-time program officers. He also suggested that instead of funding various projects every year, financial year wise specific project should be taken up so that the efforts are more concentrated for better benefits.

13.12   Problems and Challenges

The managers associated with the CD programs of OIL's CSR initiatives highlighted a few challenges. A few of them raised the problems of resource constraints—financial and human. The Company has fixed financial allocations at 0.50% of the previous year's profit after tax (PAT). This amount was increased to 2% recently by the Department of Public Enterprises, which meant that there would be an increase in CSR activities. They expressed the need for a dedicated division in the company to manage the programs. This is necessary because the large operational area of OIL also means that a large number of people have high expectations. Presently, these are being looked after by the Public Relations Department. Other cited dependence on different state agencies for planning, implementation and monitoring of CD projects.

13.13   Key Learning Points

OIL's case study offers significant learning points about corporate social responsibility:

- CSR strategies have become increasingly more responsive to local stakeholders and aligning to national policy and development agenda.

- Responsiveness to community needs in and around the company's operational area is not restricted to the "have nots" only. The CD programs in the areas of infrastructure, education and health benefit everyone.
- The agro based project would help in creating an environment of mutual trust and respect between OIL and the local community. This will gradually help in ensuring economic independence to the SHGs but also at the same time will result in wealth creation and self employment.
- Corporations usually participate in community causes in the hope of improving societal perception of their activities and legitimacy as well as to access resources, skills or markets. Evidence from the case study suggest that corporate involvement in CD increases efficiency and adds new resources to help to provide a better solution to social problems.
- One of the important learning points is that increase in the self esteem of individuals is more valuable than increase in income as it represents a change in mindset, particularly of one from dependency to independence. These are the visible changes amongst different SHGs and the people.

13.14   Conclusion

It has been argued that the Indian CSR agenda is becoming more comprehensive. Philanthropic patterns exist, but community development is the decisive element in CSR. For Indian companies, community development is important because it leads to good relations with communities and also has an appreciable public relations effect. OIL's experience indicates that this is indeed the case. This case study is an ideal example of partnership of business and community for mutual benefits. The OIL story in Assam has lessons for other backward regions in India. Being stakeholders, employees may also be encouraged to present innovative ideas on how to make a positive impact in the community and meet business needs at the same time. This approach is consistent with the objectives of participative management.

The case study will also show a path to other corporate players in Assam. Increased corporate involvement in community actions in a state like Assam can mitigate the problems of unemployment, underutilization of human resources, natural calamities, contradictory governance, and insurgency. The NGOs and activist groups must be sensitized to Corporate Social Responsibility and do more to generate awareness of CSR on a large scale. OIL's experiences can be used as the basis for more study on business-community partnerships, there is a need to understand how the processes of business and civil society mutually intervene to bring about peace and development.

It is also necessary to understand how various state agencies and corporations can be associated to facilitate the development of marginalized groups and create an environment necessary for the all round development of the state.

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Chapter 14
Shilpa Gurukula: A Novel CSR Initiative

Kalpana Gopalan

Abstract This paper is a case study of the Shilpa Gurukula, an art school for stone and wood carving and a creation of Cauvery Handicrafts (The Karnataka State Handicrafts Development Corporation better known by its popular sobriquet, Cauvery Handicrafts), a government owned corporation. What interest does Shilpa Gurukula hold for a scholar? Conventional scholarship associates CSR with the private corporate sector. But how does a public enterprise balance its largely commercial presence with a social developmental role? This is an area hitherto unexplored by CSR scholarship. The paper uses a case study methodology with a qualitative grounded theory approach to explore the formative process of the Gurukula. In addition, the utility of using a CSR approach for the preservation and dissemination of knowledge, rather than mere distribution of benefits, is also uncharted territory. By studying the process, and how constraints are faced and overcome, the paper aims to make recommendations for the design and implementation of unconventional CSR initiatives customized to transitional societies on the cusp of change.

Keywords CSR • Corporate social responsibility • Government, development • Shilpa Gurukula • Cauvery handicrafts • Public sector • Handicrafts • Public Policy • Rural Enterprise • Governance • Public Administration • Rural Infrastructure • Social Sciences • Society & Government

14.1 Introduction

Can a government corporation complement its commercial presence by corporate social responsibility? The Shilpa Gurukula, an initiative of Cauvery Handicrafts, Government of Karnataka, is living proof that it can. With a clear practitioner orientation, this case study explores the micro-managerial processes and challenges in the making of this unique institution; presenting of a slice of its contemporary history.

Theoretical Framework The defining principle of this paper is its practitioner orientation. This informs both the content examined as well as the choice of research

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method. As Dubin put it: "It is exceedingly difficult to say something meaningful about the real world without starting in the real world" (1976, p. 18). Lack of practitioner orientation is a general weakness that has dogged CSR scholarship. In their 2010 article, Lindgreen and Swaen comment: "The current state of affairs may be a result of how CSR has developed; this development reflects the influence of various theories…, which results in various conceptualizations of CSR… The best conceptualizations remain in their—to use a strong word—embryonic stages, and prescribed approaches to CSR seem perplexing to theorists and completely elude practitioners" (2010k). This paper seeks to overcome this deficiency in two ways: one, by keeping the focus entirely on the real life challenges of implementation in the formative stages of a CSR project; and, two, by drawing data from archival and personal (interviews) data sources. Grounded theory was chosen as the research method because it offers the best handle for the large volumes of non-standard data that qualitative analysis generates so as to systematically develop theories about observed phenomena and "discover theory from data" (Turner 1983, p. 333). In keeping with the grounded theory tradition, the case is the focus throughout the paper, with the attempt at the end to integrate it with extant literature. "Grounded theory is not concerned with the production of schemes of cosmic proportions, which predict world-epochal movements: it *is* concerned with producing theoretical accounts of small fragments of the world in which we live" (Turner 1983).

14.2 Background

Gurukula is an ancient institution of the Indian sub-continent, enshrining the values of learning, and the preservation and dissemination of knowledge. Central to the traditional education system of ancient India, a Gurukula envisages a traditional structure where the principles and the practice of 'living' and working' are seamlessly integrated. In a Gurukula, learning took place in close proximity between preceptor and pupil, and not just craft skills; but also life skills required for that craft or study were inculcated. The idea for a modern day Gurukula for stone and wood carving originated in an unlikely place. The Public Accounts Committee is a legislative committee of the Karnataka[1] Legislature which examines the finances and accounts of government corporations. As part of the discussion in 2008–2009, several Members of the Legislative Assembly expressed concern at the slow demise of the traditional crafts of stone and wood carving. It was felt that targeted initiatives had to be taken if the crafts were not to die out altogether. This was the genesis of the Gurukula which took shape in the years that followed. Paradoxically, a committee which usually performs an accounting and financial regulatory function (often derisively dubbed a "fault finding committee") performed a constructive function in this instance (Intw: Officer of Cauvery Handicrafts, 2013b).

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[1] A sub-national state in India

14.3 The Project

At this juncture, Cauvery Handicrafts, a government of Karnataka undertaking, stepped in to fill the gap. Cauvery Handicrafts, otherwise termed the Karnataka State Handicrafts Development Corporation, had a history and a niche in the world of handicrafts since 1964. It had earned a reputation in the realm of cottage industries and provided a platform for artisans in Karnataka and even other states of India to market their products. Yet it was primarily a commercial organization, and its identity was market rather than service based. Structurally too, Cauvery Handicrafts was incorporated as a company. So the sphere of developmental work was uncharted territory. The steps that the incumbent management of the corporation took to establish the Gurukula can be categorized under the following heads:

14.3.1 Funding

The first step was to moot a project proposal for state approval and funding. A preliminary internal note of the corporation titled "*Details of Budget Proposals for the year 2010–2011 sent by Karnataka State Handicrafts Development Corporation Limited to the Government*" mentions as follows: "Establishment of Gurukul in Kumta/Sagar: The Corporation has requested for a grant of Rs. 200.00 lakhs from the Government for establishing a Gurukul in Kumta/Sagar which will benefit around 3000 artisans" (Cauvery Handicrafts 2010a).

Another detailed proposal gives a more complete picture: "Establishment of Gurukula at Sagar: Currently there are no schools for teaching and awarding certificates and enabling to obtain diploma to traditional artisans to undergo training in the various sectors of handicrafts. The youth are not inclined to take up the profession of handicrafts sector because of its low brand equity and attendant low income. Therefore it has become necessary to formalize the traditional skill sets of the artisans in the sector by way of establishing a school or Gurukula. The corporation intends to open a school/Gurukula at Sagar (Shimoga district) for the benefit of artisans. The training will be provided in the areas of wood crafts which includes (sic) sandalwood, rosewood and other woods, stone sculpture and metal art. … The programme would be highly beneficial to artisans. In order to implement the scheme and for establishment of Gurukula, a sum of Rs. 400.00 lakhs is initially required including nearly Rs. 200.00 lakhs for infrastructure. It is proposed to start a Gurukula in Sagar in the current year in a small way with a grant of Rs. 50.00 lakhs for the first phase" (Cauvery Handicrafts 2010d).

Then the arduous task of launching the project began. Beginning with the Board of Directors, the process took over a year. When the project was finally included in the Annual Budget of the Government of Karnataka in FY 2010–2011 with seed money, a major milestone had been crossed: "With a view to providing training to the youth in traditional crafts, such as carpentry and sculpture, and to adopt modern technology, it is decided to establish Gurukula Training Centers at a cost of Rs. 5 crore" (Government of Karnataka 2010i).

14.3.2   Personnel

Early efforts by the management focused on the induction of personnel appropriate to the task on hand. As there was a general freeze on recruitment in government, certain experienced personnel from the parent department of Commerce and Industries were obtained on deputation. In addition, the need for a skilled professional qualified in fine arts as faculty was recognized. Though the initial discussion contemplated two to three faculty; eventually only one instructor was recruited through a process of calling for candidates by a newspaper advertisement and personal interview.

14.3.3   Planning

A professional approach demanded that a detailed project report be prepared. Once again, the fall-back option was a government organization, the Technical Consultancy Services Organization of Karnataka. In parallel, an Academic and Curriculum Committee was formed "to decide on what faculty is required with regard to practical and theory, local or from outside, permanent or guest, number of faculty, eligibility for faculty, facilities to be given for faculty, etc." (Cauvery Handicrafts 2010f).

The Directorate of Kannada and Culture was also consulted and a meeting proceeding reads as follows: "Chairman pointed out that the schools started to teach Traditional Sculpture and Temple Architecture by Govt as well as private bodies have failed utterly in Karnataka. Hence, it is very essential to be highly caucious (sic). All care should be taken to build a successful school by avoiding the wrong steps" (Karnataka Shilpa Kala Academy 2010j, p. 3). Besides the curriculum envisaged in the TECSOK report, the Directorate also recommended a tentative syllabus for the school.

The organization also sought external expertise. M/s Canara Bank were successfully running Artisan Training Institutions and a request from the Managing Director, Cauvery Handicrafts to the Secretary, Canara Bank Centenary Rural Development Trust reads "Since you have already established such institutions at Jogaradoddi near Bidadi, and at Miyyar, Karkala and near Karaikudi, Tamilnadu, we would like to avail your expertise to start the Gurukula on the right track. Hence, I am writing to request you to be our Technical Support group in establishing the Gurukula at Sagar" (Cauvery Handicrafts 2010f).

14.3.4   Structure

Two administering agencies were created to execute and carry forward the program— the State Level Advisory Committee with the Managing Director, Cauvery Handicrafts as Chairman, and a District Level Committee with the District Collec-

tor of Shimoga as Chairman. In the initial stages, it was the state level committee which was the prime mover behind the project.

14.3.5 Land and Infrastructure

A request was made to the Deputy Commissioner, Shimoga, for 8–10 acres of land. Since this was a long time coming, construction of the facilities required was commenced in the existing craft complex premises. As even this would take time, the first year certification course was started in the existing building of the complex straightaway. In fact, the request for land is still pending three years after the program was launched. An office note recorded at the time states as follows: "To implement the proposed project with (sic) full swing, necessary infrastructural facilities are required at Sagar. As assured, 8 acres of land will be provided by local authorities for the purpose. In the meantime, M/s Nirmiti Kendra[2] has (sic) entrusted to renovate the existing quarters for hostel facility to start functioning of the Gurukula at Sagar. In the interest of the artisans, we have to start the certificate course in wood carving for one year period at the existing buildings during the current year and subsequently, a full-fledged diploma course for 3 years may be implemented after constructing the required buildings with necessary infrastructure facilities" (Cauvery Handicrafts 2010b).

14.3.6 Approvals

Once the budget was sanctioned, the corporation appears to have gone ahead without waiting for or seeking specific approval for the project. This seems to have engendered some differences: "Prof…. was insisting that MD had to secure the necessary approvals for this 'special school' from the Government of Karnataka" (Karnataka Shilpa Kala Academy 2010j), but that did not have an appreciable impact on the launching.

14.4 Challenges and Opportunities

Today, the Gurukula is fully operational. Located in Sagar taluka in Shimoga, it houses budding artists in verdant surroundings. Merging the conveniences of home-stay (free boarding and lodging) with the advantages of a modern education, the institution offers certificate courses in stone and wood carving. Breaking barriers, the "shishyas" learn spoken English even as they hone their artistic skills. Study tours add to their exposure and experience. Operating for a year now, the Gurukula

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[2] A quasi-governmental district level agency set up as a society to encourage low cost housing

trains about 30 students a year. However the Gurukula has faced several challenges in the course of its short history. Goal- oriented behavior is a desired objective in management literature. But in public management, it is often "the tail that wags the dog". The constraints are frequently as important, if not more, than the objectives. Hence, the appreciation of constraints becomes important in public governance. In the Gurukula, too, the constraints shaped the course of its implementation.

Even a casual visitor to the Gurukula today will notice the skewed gender balance. There is not a single girl student among the 30 odd budding carvers and sculptors. This is explained away by the local officials as a manifestation of cultural and social restrictions that discourage girls from joining a fully residential school (Intw: Project Officer and Assistant 2013a). But on closer look, this explanation is both superficial and inaccurate.

In nearby Soraba, hardly 30 km away, women play an active part in the trade, particularly in weaving and stringing the highly popular sandal garlands and japmalas[3]. As in Soraba, in Sagar, too, the *Gudigars* (traditional artisans) and their families—men and women—live and work in the *Craft Complex* of living-cum-work sheds provided by the corporation. The Gurukula is located within the premises of the craft complex, hardly a few feet away from their homes. So there is no real barrier to girl students attending the Gurukula, developing their craft, and returning to their homes in the evening.

On interviewing the program implementers at the state and provincial level, there appears to be hardly any interest at all, except at the higher level, to make the program more inclusive in gender terms (Intw: Project Officer and Assistant 2013a).

Poverty is another issue. Students come from very poor families; leaving the son, often the eldest, in a residential school represents a huge opportunity cost for parents. This hampers the students' ability to continue the craft and skills learned in the absence of additional support. Absenteeism does not appear to be a major problem in the Gurukula; but continuing education is likely to be.

While Cauvery Handicrafts has ambitious plans to upgrade the certificate program into a Fine Arts degree course in collaboration with the neighboring Kuvempu University, it is uncertain how many students would be able to avail of this facility. In an informal focus group discussion with the students, several of them expressed their keen interest to earn a degree but also their inability to pursue it given their circumstances (Students 2013c).

Closely related to the economic circumstances of the students are the forward linkages consequent to the program. The marketing of the finished goods not only of the Gurukula but, after the completion of the course, in the form of standing production orders to the successful trainees, was envisaged at the inception of the institution. However, Cauvery Handicrafts, being a commercial organization, is unable to place standing production orders with the Gurukula because it conflicts with the 'saleability' requirement which governs all purchase decisions. Besides, there is direct competition to the Gurukula in the form of the production by the artisans of the craft complex. Being more experienced in terms of skill as well as association

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[3] Rosary of prayer beads.

with the corporation, they are in a better position to negotiate and even pressurize the Corporation, which the Gurukula students are in no position to do.

The initial conceiving of the course left the option open for awarding certificates/diplomas. When the program was launched, it was restricted to being a certificate course. This compulsion was imposed on the program because the students were mostly SSLC pass or fail and lacked the pre-matriculate or +2 qualification required to enroll for a degree course. Though one of the initial discussions envisaged as follows: "The prescribed minimum qualification for the One year Diploma in Fine Arts is SSLC. For students who have studied upto 7th standard, there would be link-up with the State Open School, so that they can finish SSLC and the Diploma simultaneously" (Cauvery Handicrafts 2010f, p. 1), this was not implemented. This will act as a limitation on the program even after its upgradation to a degree course.

The academic level seems to have been driven more by a desire to launch the program speedily rather than creating a sustainable syllabus and evaluation. "Prof. …. was insisting that the MD had to secure necessary approval for this 'special school' from Government of Karnataka. As MD is very particular to start the school in June 2010, personally I feel to revive the Diploma at this stage is not easy….. By following this plan (certificate syllabus with local tutor) MD could inaugurate Gurukula School at Sagar as per his schedule without waiting for getting approval from any Government Body"(Karnataka Shilpa Kala Academy 2010j). That this short cut was not universally acceptable is clear from an email from one of the Advisory body members: "Due to procedural requirements it was decided that initially, the course can be started as a certificate course… and later we can create a diploma Course. In my opinion this will not help us achieve our objectives…. My suggestion is to start only a Diploma Institute, in the next academic year" (Centre Head, NID R&D campus 2010g)

Another nagging issue is regarding the certification itself. The initial discussions centered around the market acceptance of such a certificate program: "We can create suitable opportunities for the students of the Schools (sic) run by Canara Bank and other institutions to join the proposed Diploma Education. The members expressed their desire to understand the 'VALUE' of the certificate issued by Canara Bank School, or similar schools in terms of **recognition in Society** (emphasis mine), the banking sector, preferential treatment in terms of Corporations and external trade etc. It was felt that society will see a formal recognized education differently from any certificate course offered by independent authorities. It was strongly felt that this is an attempt to bring in formal education as a means to create and sustain the Sector and this experiment must be formulated to succeed" (Cauvery Handicrafts 2010e).

14.5 Analysis

When set against the backdrop of CSR literature, the unfolding story of the Gurukula reveals some surprises, and some confirmations.

Corporate social responsibility is conventionally associated with the private sector. Even Freidman's famous essay sets his discussion on CSR in the context of "a

free-enterprise, private-property system" (Friedman 1970). But there is increasing recognition of its role in public enterprises as well.

A World Bank policy paper acknowledges the role of public agencies in public good, while appreciating the fact that the terminological shift has not yet been made: "Although the contemporary CSR agenda is maturing, the term "CSR" has not yet taken hold within many public sector agencies, either in industrial or developing countries. Few government initiatives have been undertaken explicitly as "pro-CSR initiatives" but, nonetheless, many have contributed effectively to the promotion of greater social responsibility. Public sector agencies that do not use the expression "corporate social responsibility" are not necessarily doing any less service to society than those that do. There is a significant opportunity for public sector bodies in developing countries to harness current enthusiasm for "CSR" alongside key public policy goals and priorities to encourage delivery of results in both respects" (Petkoski et al. 2003).

Other than in the TECSOK report, the term CSR finds no place in the Gurukula discourse (TECSOK 2011). But the social intent and impact of the project is unmistakable.

The nature of the CSR effort takes a distinct form in a public corporation as against a private sector initiative. Here the CSR initiative was not a simple distribution of benefits as in the case of so many corporate initiatives. A successful CSR strategy, according to Van Marrewijk (2003), has to be context specific for each individual business, i.e. what are the specific CSR issues to be addressed and how to engage with the stakeholders (Dahlsrud 2010h).

The challenge is for public sector bodies to identify priorities and incentives that are meaningful in the local and national context and to build on existing initiatives and capacities. In the case of the Gurukula, this has been successfully done. Cauvery Handicrafts stayed within its own domain and close to its core competency of handicrafts. While the intended objective was the broad one of preserving the craft, the related benefits of creating a pool of craftsmen with the potential of becoming future suppliers to the corporation and ensuring a steady stream of artifacts for sale cannot be gainsaid. In terms of the intelligent positioning of the project, this CSR effort can be deemed successful.

Moving away from the nature of the CSR initiative to the implementation issues, there are interesting revelations. Unlike the general organizational perspective of the government and governmental agencies as a 'closed loop', Cauvery Handicrafts exhibited a substantial 'reaching out'—to Canara Bank, Karnataka Shilp Kala Academy, various individual experts and so on in a consultative mode. But this consultative approach was selective and limited to the formative stage. Once the program got going, the Corporation took charge and the presence of external experts and agencies faded away, not gradually but abruptly. This may pose problems when the Gurukula enters phase two or the expansion phase, for outsiders would be more wary of such a 'use and throw' approach.

A lot of thought appears to have gone into the project, with numerous meetings, advisory committees, discussions and so on. But whenever a tricky issue was confronted, the tendency was to circumvent rather than solve problems. The debate regarding the level of the course, diploma or certificate, is a typical example.

Ultimately, the program architects apparently settled for a lower level (and presumably less useful) certificate course, despite the objections of their advisor, merely because the then Managing Director, who was to retire shortly, wanted to launch the program before his tenure ended.

The node of decision making was the higher management and specifically, the Managing Director. This is understandable in a small organization like Cauvery Handicrafts, but it was not conducive to institutionalization. Unlike most governmental activity, documentation was extensive. The decision making itself seems to have been a 'spot decision making' type; only the implementation process involved time. This is very different from public decision making in large infrastructure projects, for instance, where the phenomenon of extended decision making and greater involvement of higher polity and bureaucracy is seen. This suggests that there is a greater degree of independence and discretion vested in decision makers in the case of developmental effort and social projects.

There is no specific strategic thinking observable in the entire course of decision making, except in fund seeking. Instead, a pattern is seen wherein first a decision is reached, then available resources are marshaled; problems are 'solved' on an ad-hoc basis as and when they arise rather than anticipated and prepared for in advance; disputes or differing opinions are circumvented rather than resolved; and implementation steps are not planned in advance but dealt with in a step by step piecemeal fashion as the process proceeds.

While a certain amount of planning is demonstrated in the commissioning of the TECSOK report, it is not visible how much the report actually informed the decision of the leadership or the recommendations of the advisory committees, or even whether the latter were even aware of the report. In fact it could well be that the report was influenced by the decision making than vice versa.

The implementation challenges faced by the Gurukula may make for engrossing reading. But the central issue is a much larger one, which the fascinating twists and turns of implementation should not blind us to. In the present market system, the craft industry is vulnerable. With the development of the modern market economy, the traditional patron-client business network is fast declining. The artisans become dependent on middle men and trader entrepreneurs to sell their products. In the Indian constitution, handicrafts are a state subject and the responsibility of development and promotion of crafts lies with state governments. Corporations such as Cauvery Handicrafts were created to fill this gap. But they face their own challenges.

In any market, emphasis is laid on the consumption pattern. When the demand for any product is high, it should be made available even if the social costs are high. But the commercial compulsions of making a profit constrain their efforts because their performance continues to be rated by profit creation rather than their developmental efforts. These two objectives of profitability and social responsibility are seen in direct opposition to each other in this case. This will eternally dog the Cauvery Handicrafts Corporation's development efforts unless parameters other than profit are factored into their performance evaluation (Fig. 14.1).
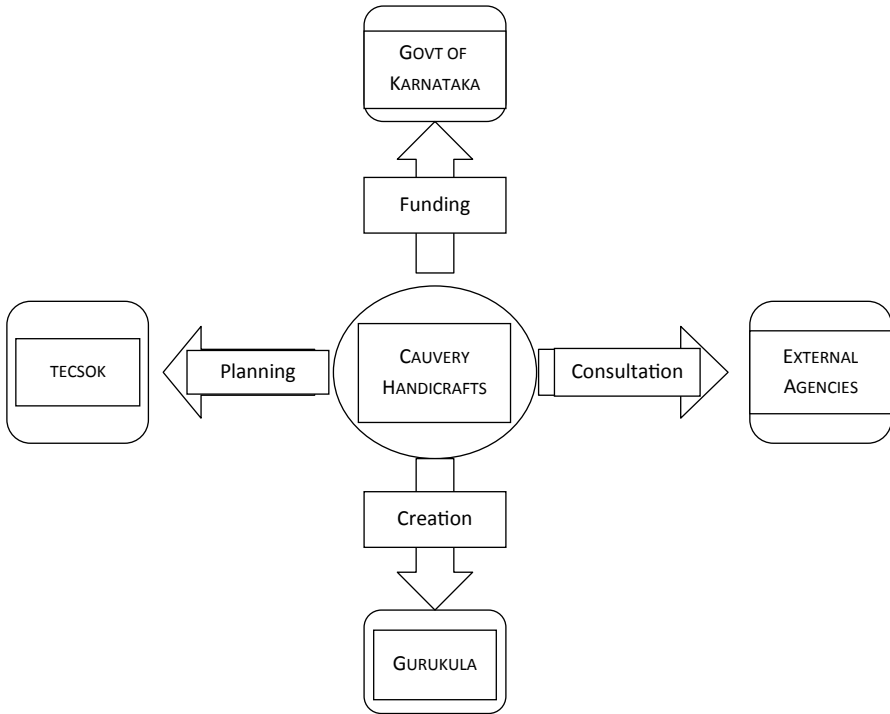
Fig. 14.1 Representation of Agencies Involved & Nature of Interaction in Gurukula Process

14.6   Areas for Future Research

This paper places a CSR effort of a public sector undertaking against the scholarship on CSR and finds areas of convergence and divergence. The theoretical integration is modest; it restricts itself to pointing out the distinct interpretation and form that CSR takes when initiated by a public undertaking. Its complexity and alignment goes beyond simple benefit distribution to touch skill development, craft preservation, learning and livelihood issues. However, this paper does not delve into the by-lanes of CSR literature to say, for instance, measure the impact of the Gurukula on firm performance (Wood 1991) or consumer preferences (Sen and Bhattacharya 2001). To isolate such defining data from one case is not feasible.

Yet, the case points to a conflict between the commercial and social objectives. Going by the World Bank report, it is likely that many socially responsible initiatives by pubic undertakings may be under implementation without an explicit label of CSR. It would be an interesting study to measure the impact of such efforts through a longitudinal macro study.

14.7   The Way Forward

Plans are afoot to provide infrastructure and additional facilities, but more ambitious are the plans to launch a full scale undergraduate course in fine arts in collaboration with the Kuvempu University. The leadership is interested in expanding student strength, taking in students regardless of caste and creed, with particular emphasis on the recruitment of girls. The Gurukula is an evolving institution. Modest in its publicity but aspirational in its vision, the Shilpa Gurukula is truly an inspirational CSR story.

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