

## The Corporate Social Responsibility: Not a Liability but an Investment!

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### **Abstract**

The CSR (Corporate Social Responsibility) concept has not remain the moral responsibilities but has become an integral part of any business to sustain in this cut throat competition and of course, even companies enjoy several benefits like improved financial performance, lower operation costs, enhanced brand image and reputation, increased sales and customer loyalty, product safety, material recyclability and greater use of renewable resources etc... The CSR is not the innovative concept for the corporate world working in INDIA or at the world level. Today, the concept of CSR has become an inevitable concept it a business world has to develop, grow or has to survive even in this cut throat competition. During the pandemic period of Corona, the corporations of the whole world truly realized that it is the market on which we are dependent, if that market survives then and then only the corporations can find the way of their survival. Those businesses which previously were not that much serious about performance of CSR before Corona pandemic, are now that much concerned about that because now they have realized the importance of taking care of society. In India, as in the rest of the world there is a growing awareness that capital markets and corporations are, after all, created by society and must therefore serve it, not merely profit from it. If this concept has to be developed then the entrepreneurs have to change their attitude towards business of earning profit only. The main drivers of CSR have been the shrinking role of government, demands for greater disclosure, increased customer interest, grown investor pressure, competitive labor markets and supplier's relations. Business of Business is Business' was the motto of businesspersons in early times. To economists Adam Smith and Milton Friedman, in a capitalist society profit maximization by the continued increase of efficiency is the most socially responsible way of conducting business. So, if a business has to earn to survive today the concept of CSR has become inevitable for it. Although, there are various advantages to perform the CSR and of course the scope of CSR is large too!!

**Keywords:** Corona Pandemic, CSR, Moral responsibility, Corporations, Responsibility, Profit.

### **Introduction:**

We live in an age in which companies have grown so large that they control much of the earth's resources, and intervene in so many areas of social life, that they must be held responsible towards society and the environment. In India, as in the rest of the world there is a growing awareness that capital markets and corporations are, after all, created by society and must therefore serve it, not merely profit from it. In the age of globalization, corporations and other business enterprises are no longer confined to the traditional boundaries of the Nation-State. One of the key characteristics of globalization is the spread of the market and the change in the mode of production—the centralized mode has given way to a highly decentralized one that has spread across the world. In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behavior of a large number of consumers. Globalization and liberalization have provided a great opportunity for corporations to be globally competitive by expanding their production-base and market share. The situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against these multinational corporations in different parts of the world. There has been a widespread protest against the dominance of multinational companies.

To Adam Smith, "It is the profit-driven market system, also called price mechanism that drives business firms to promote social welfare, though they work for private gain." He observed further: "Every individual endeavors to employ his capital so that its produce may be of greatest value. He generally neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own security, only his own gain. And he is in this led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest, he frequently promotes that of society more effectively than when he really intends to promote it." Likewise, Prof. Milton Friedman does not give much credit to the concept of social responsibility.

**Nobel laureate, economist Milton Friedman, says:**

"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it engages in open and free competition, without deception or fraud".

### **CSR: In INDIA:**

In initial years, there was little documentation of social responsibility initiatives in INDIA. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. After independence, JRD Tata who always laid a great deal of emphasis on the concept of welfare of society and he always wished to serve the society in the best manner he can beyond his routine kind of business activities. Initially, businesses were giving importance to the activities like education, medical facilities and scientific research among other objects. The important change at that time was that industries started accepting the concept of CSR as a part of the management of the enterprise itself.

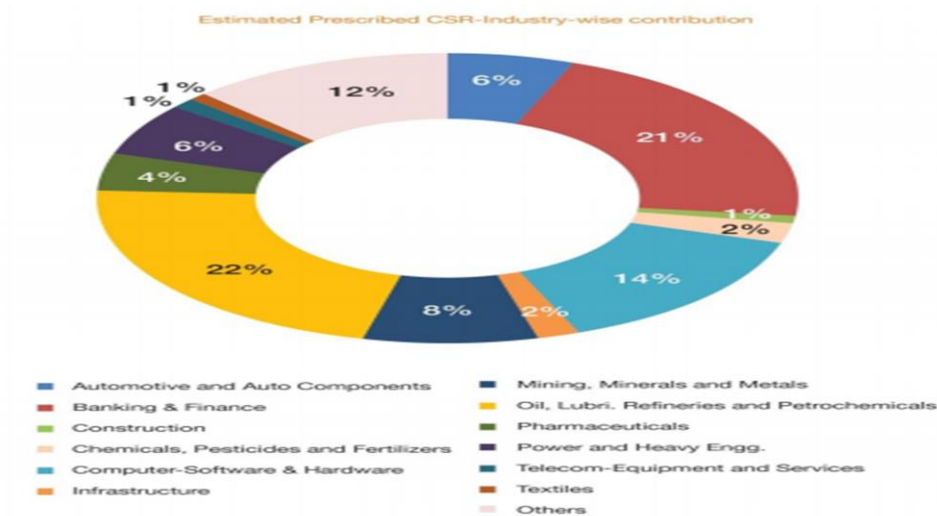
The term Corporate Social Responsibility was first coined by Sethi(1975), expanded by Carroll(1979) and then refined by Wartick & Cochran(1985). In Sethi's three level models which he gave in 1975, the concept of corporate social

performance was discussed and distinctions made between different corporate behaviors. Sethi's three tiers were 'Social Obligation' (a response to legal and market constraints), 'Social Responsibility' (congruent with social norms) and 'Social Responsiveness' (adaptive, anticipatory and preventive).

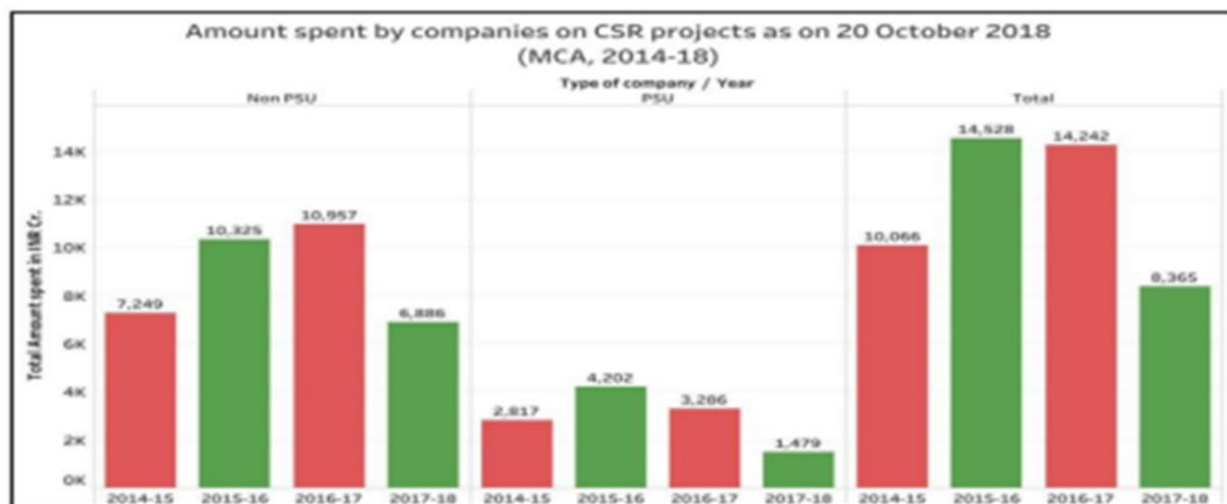
The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy to more direct concentration and engagement in the concepts of concrete development of society and benefits to the disadvantaged groups in the society. This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest portion 47% was spent for outside organizations as aid & 14% was spent through company trusts (WORKING DOCUMENT OF EU INDIA CSR, 2001)

The evolution of CSR in INDIA refers to changes over time in INDIA of the cultural norms of corporation's engagement of CSR, with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities and society. The organizations should not concentrate only on their profits and benefits but they should also focus on social issues too.

**CSR - Research Data on the Issue of Corporate Trust**



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**Objectives of the Study:**

The main objectives of the study are to find out the extent to which the corporate social responsibility has been fulfilled by the selected public sector units of India. The other objectives of the study are as under

1. To evaluate the CSR concept in Selected units.
2. To develop the CSR Score for the evaluation.
3. To draw the conclusion for the applicability of CSR in the selected units.
4. To study the transparency and related disclosure.

5. To document the level of CSR in selected public sector units.

**Research Methodology:**

**Sampling:**

It was difficult to find out the CSR concept of each every company so that the researcher has selected different public sector units from Maharatna, Navratna & Miniratna statuses given by government to different public sector units to evaluate the CSR concept. These selected public sector units at national level which have large earning capacity, the profits of these companies are higher compared to other public sector units at national as well as state level. They also spend the higher value behind fulfilling the Corporate Social Responsibility. The selected public sector units for the research purpose and the statuses of public sector units like Maharatna, Navratna & Miniratna are explained as follows...

**Selected Public Sector Units for the Study of the research topic:**

The researcher has selected the different PSU for the study of the research purpose by considering all the three categories of PSUs issued by Central Government. The researcher has taken samples from all categories of PSUs i.e. Maharatna, Navratna & Miniratana. The selected PSUs for the purpose of research are as follows...

1. Indian Oil Corporation Limited (IOCL)
2. Oil & Natural Gas Corporation Limited(ONGC)
3. Coal India Limited (CIL)
4. Bharat Petroleum Corporation Limited (BPCL)
5. Hindustan Petroleum Corporation Limited (HPCL)
6. Gas Authority of India Limited (GAIL)
7. Bharat Earth Movers Limited (BEML)
8. Engineers India Limited (EIL)
9. Hindustan Machine Tools (International) Limited (HMT)
10. Hindustan Copper Limited (HCL)

**Hypothesis:**

**H0:** There is no significant difference in applicability of CSR and Performance of CSR among selected public sector units.

**H1:** There is significant difference in applicability of CSR and Performance of CSR among selected public sector units.

**Data Collection:**

The data is based fully on secondary data those are collected and other information is evaluated along with their CSR preference for this purpose, the annual reports of last 10 years are studied and used by the researcher to collect the data to find out the impact of CSR concept and evaluate the same relative years statements. Financial statements and annual reports of the concerned years were analyzed for the research purpose. The parameters to test the level of CSR of the particular PSU are taken from the different activities of CSR performed by the different PSU.

**Method of Data Analysis:**

The data collected from annual reports are properly formatted and tabulated and analyzed as well by using the appropriate and relevant statistical techniques. The technique which is most suitable for the data is used for the analysis. The researcher has taken 10 – 0 scale technique for the analysis of data. In the analysis 35 parameters have been taken and if the parameter has been fulfilled by the sampled unit then 10 points has been assigned to company and if it is not fulfilled then 00 points has been assigned. The total for each year by considering the point assigned to all the 35 parameters is considered and this is done for each year for 10 years. Then the total points gathered by the company at the end of 10 years have been calculated for all the selected public sector units for this research work. The total score in % is found out for CSR by applying the appropriate formula.

The formula applied for finding out the score in % for CSR is as under

**CSR Index =  $\frac{\text{Obtained Score by the unit} \times 100}{\text{Total score of last 10 years}}$**

**Total score of last 10 years**

**Disclosure of Parameters**

**List of Parameters:**

1. Employees welfare fund
2. Contribution to P.F.
3. V.R.S.
4. Staff welfare expense
5. Employee retirement benefit expense
6. Social & cultural activities expense
7. Club & recreational expense
8. Bus hire charges
9. Employee insurance expense
10. Leave encashment expense
11. Job security expense
12. Employee education expense
13. Employee health expense
14. Workers safety expense
15. Ecology/Environment protection expense

16. Workers participation in management
17. Expense for implementation of Hindi
18. Entertainment expense
19. Reserved posts for S.C./S.T. candidates
20. Pollution control expense
21. Employee training expense
22. Industrial relations
23. Women employment
24. Welfare of weaker section of the society
25. Expense for sports encouragement\
26. Gratuity scheme
27. Post retirement medical expense
28. Public relation expense
29. Expense for community development
30. R & D expense
31. Donations/Charities to social organizations
32. Other Funds
33. Social awareness programs expense
34. Children & women empowerment expense
35. Help in natural calamities

The above are the **35** parameters which show the extent of social responsibility fulfilled. According to these parameters shown in the above list, **10** points will be assigned if the particular parameter has been fulfilled by selected public units and **00** points will assigned if the parameter is not fulfilled. This is done in each of the units for **10 years**. Then the total for 10 years will be calculated and from that the % of social responsibility will be find out for each of the units.

The data have been analyzed and hypothesis have been tested at **5% level of significance** by applying **t – Test** and **f – Test** accordingly.

**CSR score (points) of last 10 years of Selected Public Sector Units (Out of 350 Points)**

Sr. No	Name of PSU	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012	March 2013
1	IOCL	260	260	270	270	270	270	290	300	300	300
2	ONGC	280	280	290	290	290	310	300	310	320	330
3	CIL	270	270	270	280	290	290	300	280	290	300
4	BPCL	230	230	230	230	250	270	270	270	270	270
5	HPCL	210	210	210	220	220	270	270	270	270	270
6	GAIL	200	200	210	240	260	280	270	270	280	270
7	BEML	150	150	150	160	180	210	220	210	220	220
8	EIL	130	130	130	140	150	210	210	220	230	230
9	HMT	140	140	140	190	190	220	220	230	220	220
10	HCL	130	130	140	180	200	200	220	220	220	230

In the above given table, the score of CSR obtained by all the selected public sector units is explained. The score of CSR obtained by each PSU is out of all the parameters fulfilled i.e. 35 parameters, each containing 10 points. So, the total score would be 350 points. E.g. IOCL has got 260 points out of 350 points in the year March 2004, 260 points out of 350 points in the year March 2005 and as the same it got 300 points out of 350 points in the year March 2013. The same treatment is given to all the remaining selected public sector unit.

**CSR score (in %)of last 10 years of Selected Public Sector Units**

Sr. No	Name of PSU	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012	March 2013
1	IOCL	74.29	74.29	77.14	77.14	77.14	77.14	82.86	85.71	85.71	85.71
2	ONGC	80	80	82.86	82.86	82.86	88.57	85.71	88.57	91.43	94.29
3	CIL	77.14	77.14	77.14	80	82.86	82.86	85.71	80	82.86	85.71
4	BPCL	65.71	65.71	65.71	65.71	71.43	77.14	77.14	77.14	77.14	77.14
5	HPCL	60	60	60	62.86	62.86	77.14	77.14	77.14	77.14	77.14
6	GAIL	57.14	57.14	60	68.75	74.29	80	77.14	77.14	80	77.14
7	BEML	42.87	42.87	42.87	45.71	51.43	60	62.86	60	62.86	62.86
8	EIL	37.14	37.14	37.14	40	42.87	60	60	62.86	65.71	65.71
9	HMT	40	40	40	54.29	54.29	62.86	62.86	65.71	62.86	62.86
10	HCL	37.14	37.14	40	51.43	57.14	57.14	62.86	62.86	62.86	65.71

In the above given table, the % score of CSR obtained by all the selected public sector units is explained. The % score of CSR obtained by each PSU is out of all the parameters fulfilled i.e. 35 parameters, each containing 10 points. So, the total score would be 350 points. The % score of CSR is found out by dividing the score of CSR obtained by each unit in the particular year by the total score of CSR i.e. 350 points. E.g. the % score of IOCL in March 2004 is 74.29, in March 2005 is 74.29 & as the same it is 85.71 in March 2013. The same treatment is given to all the remaining selected public sector unit.

#### Findings

After making the calculations thoroughly and making the conclusions, one of the most important portion of any research is called Findings because this portion gives us the actual meaning and result of the particular research conducted. Likewise, the research work is always recognized by its findings made by its researcher after the research work has been completed. For the research work various Hypothesis had been constructed by the researcher. The researcher has provided different findings on the basis of Hypothesis testing. The summary of the findings are being shown here under, in tabulator as well as in theoretical form.

Summary of Hypothesis testing (At 5% level of significance, based on F – Test & One Way ANOVA) is as follows...

#### Hypothesis testing with Applicability & Performance of CSR score among sampled units:

**F – Cal (22.98) ≥ F – Tab (1.99) So, Hypothesis Rejected.**

**So, there is significant difference in Applicability of CSR & Performance of CSR among selected public sector units.**

In the above given Hypothesis, for the information regarding the Applicability of CSR & Performance of CSR among all the sampled units, H<sub>0</sub> (Null Hypothesis) is rejected. It means the significant difference exists in the Applicability of CSR & Performance of CSR among selected public sector units.

#### Limitations of the Study:

1. The study is limited to selected public sector units of Maharatna, Navratna & Miniratna statuses given by government to them.
2. The study is fully dependent on annual reports and company websites and other financial statements declared by the sampled units.
3. In the study secondary data is used which is less viable than the primary data.
4. Figures of particular parameters of CSR are not taken in this study, instead that the points are given to each parameter fulfilled.
5. Different methods of calculations may be taken by different people.
6. The study does not include the data of social responsibility performed by each sampled unit after March 2013 as it was made compulsory by government of India to spend minimum 2% of profit earned as social responsibility by each public sector unit in the same year.

#### Conclusion:

Thus, it is inevitable for the corporate sector today, to follow the concept of CSR in a very sincere manner in order to grow and survive the business in this global business world. Companies not only in INDIA but across the world today have

realized the importance to the concept of CSR. They have realized that only making profits from the society will not work today but along with that they have to serve society. They even have to take care of the different classes of the society. So, it is rightly said that the CSR is not a liability but an investment for a corporate.

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**Books & Annual Reports:**

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3. Annual reports of IOCL form the year 2003-04 to 2012-13
4. Annual reports of ONGC form the year 2003-04 to 2012-13
5. Annual reports of CIL form the year 2003-04 to 2012-13
6. Annual reports of BPCL form the year 2003-04 to 2012-13
7. Annual reports of HPCL form the year 2003-04 to 2012-13
8. Annual reports of GAIL form the year 2003-04 to 2012-13
9. Annual reports of BEML form the year 2003-04 to 2012-13
10. Annual reports of EIL form the year 2003-04 to 2012-13
11. Annual reports of HMT (I) form the year 2003-04 to 2012-13
12. Annual reports of HCL form the year 2003-04 to 2012-13

**Web Links:**

1. [www.indiacsr.in/en/?tag=corporate-social-responsibility](http://www.indiacsr.in/en/?tag=corporate-social-responsibility)
2. [www.developmentexpeditions.com/?page-id=129](http://www.developmentexpeditions.com/?page-id=129)
3. [www.genesisbm.in/what-we-do/services/corporate-social-responsibility](http://www.genesisbm.in/what-we-do/services/corporate-social-responsibility)
4. [www.csr2013.serd.org.in](http://www.csr2013.serd.org.in)
5. [www.dpemou.nic.in/MOUfiles/Revised\\_CSR\\_guidelines.pdf](http://www.dpemou.nic.in/MOUfiles/Revised_CSR_guidelines.pdf)

**Web Sites:**

1. [www.indiacsr.in](http://www.indiacsr.in)
2. [www.iccsr.org](http://www.iccsr.org)