



A Critical Analysis of CSR Funding of Few selected Private and PSU Companies

KEYWORDS

corporate Social Responsibility, Sustainable Development, Brand Image, CSR Performance, CSR Rating

Dr Amitava Basu

Assistant Professor of Commerce, B.B.College, Asansol

ABSTRACT A new era of social consciousness is evolving throughout the world. With the advent of globalization and cut-throat competition, concern of the companies has shifted to Corporate Social Responsibility. "Doing good" seems to be the new slogan for many brands. After a year of economic misery in 2008 and banking crisis, consumers wanted to get associated with the brands that believe in more than a profit. As we enter a high stage of consumerism, enjoying all the fruits of civilization, a fear psychosis is however, lurking in the mind of consumers that humanity as a whole may have to pay a price for this in the form of environmental havoc. So, the consumers now prefer to associate with those brands that show concern for the good cause. World Business Council for Sustainable Development defines Corporate Social Responsibility as "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." However in pursuance of implementing the CSR goals, business houses have to comply with legal requirements, to look after their own competitive interests and the interests of the society at large. Now the question arises whether CSR is for upliftment of corporate image or is it a part of fulfillment of continuing commitment for sustainable social development. In this back drop, this paper tries to throw light on the actual spirit of CSR funding. We will try to find out the present CSR scenario in India on some selected corporate houses from different sectors, to analyze their CSR initiatives and its impact on social, economic and environmental aspects. We have also tried to show the changing scenario of the PSUs towards the society and have analyzed their way of moving towards attaining competitive sustainable growth in the race with the private sectors taking CSR as a tool.

Introduction

CSR has been one of the most talked about topics over the last couple of years. Its significance is undeniable despite the fact that it means different things to different people. If we try to describe it in one sentence, it would be, "a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities, and other stakeholders, as well as the environment". Too often CSR programmes only consist of a manager having a fixed budget to allocate funds to numerous community-based charities. While this may seem like an easy approach to CSR, it generally yields little or no meaningful social impact, nor does it strengthen businesses in the long-term. A better approach to CSR is to analyze what can benefit both the company and society. Unproductive CSR approaches typically pit society versus corporation, not recognizing the interdependence between the two. Tying up CSR with business activities is the first step to successfully integrate CSR into business strategy

Organizational leaders understand current and developing issues within their sector and can make contributions that genuinely impact society. They start by recognizing core company competencies that could be used in CSR initiatives. By analyzing how these competencies have an impact a business' stakeholders, organizational boardrooms identify if stakeholders are negatively affected by their company's actions and also how they use their organization's core competencies in innovative ways that benefit stakeholders, society and business.

Literature Review:

World Business Council for Sustainable Development defines Corporate Social Responsibility as "The continuing commitment by business to behave ethically and contrib-

ute 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."

As Votaw and Sethi (1973) put it, "the term (social responsibility) is a brilliant one; it is something but not always the same thing, to everybody. To some it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware.' Many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid. A few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen at large. So, the Corporate Social Responsibility (CSR) is the responsibility of the corporate houses to contribute something worthwhile for the good cause of the society at large in a long term basis.

But the concept of CSR has always been in debate. Many of the business thinkers see CSR just as a tool to promote their corporate image. The companies have been using it as a charity rather contributing to the sustainable societal development. And many people try to link CSR with the profit. Friedman (1970) questioned whether a business can have any 'responsibilities' other than the responsibility to increase its profits; however, other authors have disagreed. Grant (1991) dismissed Friedman's (1970) restricted point of view as fallacious. Carroll (1991) argued for a 'pyramid' of four kinds of social responsibilities— economic, legal, ethical, and philanthropic—thus integrating CSR with a stakeholder perspective.

According to Carroll (1991, p. 43), there is a "natural fit between the idea of CSR and an organization's stakehold-

ers". This view was supported by Kotler and Lee (2005). The changing nature of CSR has also been debated. Andriof et al. (2002) argued that the prevailing business imperatives in CSR were originally 'profitability', 'compliance', and 'philanthropy'; however, from the end of the 1970s and onwards, these authors assert that the prevailing business imperative became 'corporate social responsiveness'. Zadek (2001) has also referred to the idea of 'responsiveness' in calling for 'responsible corporate citizenship'. In a JM article based on secondary data where the relationship between CSR, Customer Satisfaction and Market Value is investigated, they have two research questions: (1) Under what conditions do CSR initiatives result in positive financial performance? (2) Does customer satisfaction matter in relationships between CSR and firm performance? An important contribution made by this article is that their results regarding the Significant CSR, Customer satisfaction and Market value causal chain suggest that a firm's CSR helps build a satisfied customer base and that customer satisfaction partially mediates the financial returns to CSR.

Objective of the study:

In this paper we have tried to find out the current scenario of the CSR initiatives and their effectiveness and how these activities can be used for the betterment of the society at large. We have selected some firms from leading PSUs and private Companies and analyzed their CSR funding and their impact on the societal development. It has always been said that only the Government companies have the responsibility to contribute to the development of the society as they have been formed not only for profit generating but that for overall social development. Now both public and private sectors think of profit as the first priority and for generating profit they use some strategic tools and CSR is one of them. The key objective of the study was to explore whether the CSR initiatives of the companies as revealed are quite satisfactory and fulfilling the actual spirit of sustainable societal development or in the name of societal development they are just using it as a strategic tool to promote their corporate image. While analyzing the data we will see how many companies are promoting their corporate image through CSR and they take it (CSR) as one of the way to promote their corporate image. In this paper we have collected information of various leading corporate houses to find out their CSR initiatives and relevance of those initiatives for sustainable societal development. We have for better understanding the current scenario given certain scores based on selected parameters and analyzed the CSR initiatives of the companies. We tried to critically analyze the effectiveness of the CSR initiatives undertaken by the companies. This study would help bring out the other industries which are involved in socially responsible deeds but have failed to make an impression and project themselves as propagators of socially responsible behaviour. A comparative analysis would help bring out the sector which is involved most deeply into CSR and the dimensions where companies need to reassess their CSR initiatives.

Methodology:

For the purpose of our study we have selected 17 leading companies from different PSUs as well as private companies were chosen on purposive sampling basis— from the following 5 sectors: steel, Oil, banking, IT and FMCG. We have chosen five parameters based on the eight Performance Standards of the World Bank's International Finance Corporation (IFC): a) Social and Environmental Assessment

and Management System, b) Labour and Working Conditions, c) Pollution Prevention and Abatement, d) Community Health, Safety and Security, e) Land Acquisition and Involuntary Resettlement, f) Biodiversity Conservation and Sustainable Natural Resource Management, g) Indigenous Peoples, h) Cultural Heritage

Employment Generation

Contribution to the societal development (Education, preparation of skilled labor. Raising standard of living raising purchasing power of people)

Past Result on CSR initiatives (based on 2007, 2008, 2009 initiatives).

4. Transparency (in terms of disclosure of CSR Budget and publication of sustainability development report for both disclosures maximum points are assigned)

5. Contribution to the overall sustainable development of the country.

We have to rely on secondary data for our study and we have collected information mostly from the krmayog CSR rating (2007, 2008, 2009, 2010) information available from the websites of the Companies. Annual report of the companies especially the report of 2009-2010, Sustainability Development Report of the companies (those published) and some available articles on this subject. Score is assigned in 0 to 5 scales 0 to lowest and 5 to highest. To identify the underlying intentions that drives the corporate sectors to show their interest to invest on Corporate Social Responsibility and to compare the CSR performance between the private and PSU sectors different statistical tools are used like, independent sample t-tast, Levene's Test for equality of variances and t-test for equality of means, one way Anova, LSD post hoc test in SPSS.

Conclusion

In this age of growing inter-dependence, there is little scope for anything that stands alone. Business organizations should try to understand the ever-changing social trends, because their long term goal would be to survive and grow. In that process they would only lose out if they ignore the societal perspective. How far-sighted an organization is, will decide its survival or extinction. It is a well settled fact that companies are no longer a profit making machine, they are treated as entity and being a social entity it is implied that they will also perform something for the development of the society. Every time we should not look forward before the Government for the Development of the Country. As per our study it is very clear that many of the companies are just concentrated on formal way of looking towards the CSR.

As per findings 3 best Companies in CSR initiatives are Infosys, Wipro and Tata steel.

PSUs are lagging far behind the private sector in CSR initiatives in every sector.

The scenario of the banking sector is worst in CSR initiatives.

The PSUs are now gradually focusing on CSR as to penetrate the market.

Maximum companies are avoiding transparency in reporting regarding CSR funding.

There is no such monitoring of the implementations of the CSR funding.

If we look at the IT sector it is the best sector in CSR initiatives (see Annexure for Statistical analysis), it is generating maximum employment opportunities but it has been always a matter of concern that maximum labour turnover is also there, especially in the BPOs. Another important factor that workplace behavior is not hygienic always leading to dissatisfied employee. So it is desirable that IT sector should give proper consideration to this issues and it should be treated as one of the main CSR areas. In banking sector it is to be ensured that people get aware of the banking facilities and have the proper understanding of the benefits.

Recommendations and Suggestions

1. Companies should take such CSR initiatives which have direct linkage with the Indian economy.
2. CSR funding should not be used as philanthropy it should be contributed for the value addition of the society.
3. Companies should take initiatives only in those areas where it has core competence for example in banking sector banks should ensure that maximum people get access Financial inclusion).
4. It should form CSR teams they will look after only the CSR initiatives they will find where to contribute how to contribute.
5. There should be some accountability of the CSR funding as it reaches to the targeted group.
6. There should be proper disclosure of the CSR budget; Companies should publish Sustainability development report.
7. Through CSR, companies should help the government in eradicating social economic and environmental issues which Government alone cannot do.
8. Every Company whatever its profit it should come forward to contribute to CSR.
9. Companies should contribute to the funds of Government where the govt have initiative for societal development like helping in case of natural calamities.
10. Take the help of NGOs or form trust which will look after the CSR expenditures

Annexure-I: Identification of underlying intentions that drives the corporate sectors to show their interest to invest

on Corporate Social Responsibility: A Statistical Approach

Data Description:

Employment Generation: Emp_Gen

Contribution to the societal development: Cont_society
Past Result on CSR initiatives (based on 2007, 2008, and 2009 CSR initiatives): Past_CSR

Transparency: Transparency

Contribution to the overall sustainable development of the country: Cont_Overall

Objective: Our objective is to find out that CSR ratings on different parameters mentioned above is significantly differs from public sectors to private sectors or not.

Analysis: Here we have chosen independent samples T Test to meet the above objective.

Group Statistics					
	Type	N	Mean	Std. Deviation	Std. Error Mean
Emp_Gen	Private	11	2.636	2.1574	.6505
	PSU	6	.167	.4082	.1667
Cont_Society	Private	11	2.295	.6784	.2045
	PSU	6	1.625	1.2016	.4905
Past_CSR	Private	11	2.545	1.5725	.4741
	PSU	6	2.667	1.0328	.4216
Transparency	Private	11	1.591	1.6855	.5082
	PSU	6	1.250	1.3693	.5590
Cont_Overall	Private	11	3.364	.9641	.2907
	PSU	6	2.750	.6124	.2500

Interpretation: From the above summary statistics output it is obvious that average CSR ratings on Employment Generation really differs between PSU and private sectors unlike the other parameters. Private sectors have higher ratings on an average than the PSU.

Annexure-II

As it is revealed that there is a huge fluctuation in CSR funding to employment generation among the selected companies to test whether such fluctuation is statistically significant or not, we further run Levene's Test for equality of variances and t-test for equality of means to confirm the result of our previous independent sample t-test.

Independent Samples T Test						
		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Emp_Gen	Equal variances assumed	24.170	.000	2.738	15	.015
	Equal variances not assumed			3.678	11.259	.004
Cont_Society	Equal variances assumed	2.736	.119	1.488	15	.157
	Equal variances not assumed			1.262	6.787	.249
Past_CSR	Equal variances assumed	.734	.405	-.169	15	.868
	Equal variances not assumed			-.191	14.248	.851
Transparency	Equal variances assumed	.415	.529	.423	15	.678
	Equal variances not assumed			.451	12.433	.660
Cont_Overall	Equal variances assumed	1.192	.292	1.401	15	.182
	Equal variances not assumed			1.600	14.452	.131

Again Levene's Test for equality of variances and t test for equality of means confirms that this difference is statistically significant at 5% level of significance.

Annexure-III:

Objective: further we have conducted some test to compare the performance of different selected companies on five parameters. For this purpose

Analysis: In this scenario one way ANOVA is most suitable statistical algorithm to make the conclusions. Now we will perform the one way ANOVA in SPSS

Output:

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Emp_Gen	Between Groups	41.142	4	10.286	4.126	.025
	Within Groups	29.917	12	2.493		
	Total	71.059	16			
Cont_So-society	Between Groups	3.478	4	.869	1.034	.429
	Within Groups	10.089	12	.841		
	Total	13.566	16			
Past_CSR	Between Groups	7.868	4	1.967	1.061	.417
	Within Groups	22.250	12	1.854		
	Total	30.118	16			
Transpar-ency	Between Groups	12.194	4	3.048	1.405	.291
	Within Groups	26.042	12	2.170		
	Total	38.235	16			
Cont_Overall	Between Groups	5.039	4	1.260	1.991	.160
	Within Groups	7.594	12	.633		
	Total	12.632	16			

Interpretation: From the above ANOVA table we can conclude that CSR ratings on employment Generation differ significantly among the different sectors.

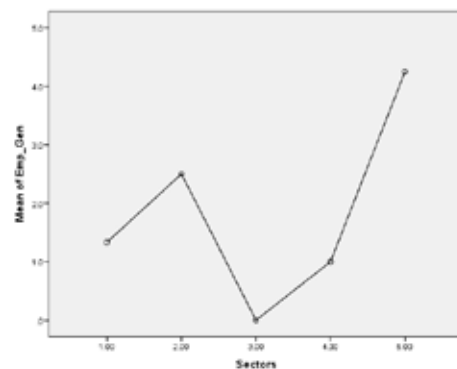
Annexure-IV:

Now we will investigate further which sectors are really having same or different behaviour in Employee generation. **Analysis:** To do this we should use some post hoc tests. We performed the LSD post hoc test in SPSS and obtained the following

Post Hoc Tests

Multiple Comparisons						
Dependent Variable: Emp_Gen						
LSD						
(I) Sec-tors	(J) Sec-tors	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	-1.1667	1.4414	.434	-4.307	1.974
	3.00	1.3333	1.2059	.291	-1.294	3.961
	4.00	.3333	1.2059	.787	-2.294	2.961
	5.00	-2.9167*	1.2059	.032	-5.544	-.289
2.00	1.00	1.1667	1.4414	.434	-1.974	4.307
	3.00	2.5000	1.3674	.092	-.479	5.479
	4.00	1.5000	1.3674	.294	-1.479	4.479
	5.00	-1.7500	1.3674	.225	-4.729	1.229
3.00	1.00	-1.3333	1.2059	.291	-3.961	1.294
	2.00	-2.5000	1.3674	.092	-5.479	.479
	4.00	-1.0000	1.1165	.388	-3.433	1.433
	5.00	-4.2500*	1.1165	.002	-6.683	-1.817
4.00	1.00	-.3333	1.2059	.787	-2.961	2.294
	2.00	-1.5000	1.3674	.294	-4.479	1.479
	3.00	1.0000	1.1165	.388	-1.433	3.433
	5.00	-3.2500*	1.1165	.013	-5.683	-.817
5.00	1.00	2.9167*	1.2059	.032	.289	5.544
	2.00	1.7500	1.3674	.225	-1.229	4.729
	3.00	4.2500*	1.1165	.002	1.817	6.683
	4.00	3.2500*	1.1165	.013	.817	5.683

Interpretation: a)FMCG and IT are significantly differs b) Banking is marginally significant with steel but highly significant with IT, c) Oil and Gas is highly significant with IT and FMCG d) IT is highly significant with Banking

**Means Plots:**

Interpretation: IT sectors is having higher CSR ratings followed by Steel, FMCG, and Oil and Gas.

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