



CSR – A Seed of Social Development: Analyzing Firms' Efforts for CSR with Special Reference to Diamond Cutting Firms

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ABSTRACT

The current research is an attempt to study diamond cutting firms' efforts under CSR for socio-economic development of the society. The research concentrates on diamond cutting & polishing firms and their CSR programs that are being run on continuous bases. The research is based on primary data collected from employees of diamond cutting firms working on different profile. The study divided CSR efforts into two areas first 'internal CSR' and second 'external CSR'. The study identified various parameters (factors) through which these firms are doing CSR. Further these parameters were used to study perception difference of employees of three different departments with respect to CSR performed by companies. The study identified four important factors (areas) through which CSR activities are being carried out by diamond cutting firms in India.

KEYWORDS

CSR, Social Development, Diamond Cutting Firms, CSR in India, Corporate Governance

1.1 Introduction

1.1.1 Gems and Jewelry Industry of India

Trade in gems and jewelry has become an important part of India's foreign trade strategy as the sector representing huge potential at global platform. According to the Gem & Jewelry Export Promotion Council and KPMG global jewelry industry has shown the potential to grown up to USD 500 billion till 2020. Looking at the growing aspect, scope in near future, prospects and new emerging opportunities, the government has come up with variety of schemes and plans to promote this sector and encourage entrepreneurship in it. The rate of growth of this industry is showing quite promising future with huge business potential. Each financial year is continuing to add new buyers across the world to Indian gems & jewelry business as their most preferred source of quality jewelry. The Export Promotion Council for Gems and Jewelry is quite aggressive to convert this thrust product in to export potential commodity in order to explore new markets, such as European countries & Latin American countries. Currently, India dominates the world trade in diamonds trade, and considered as the largest manufacturing centre, a position it has held for nearly two decades now. India currently importing over 75% of the world's rough diamonds, and is an undisputed leader in the cutting and polishing. In terms of polished diamond production India contributes to over 65% share by value, a nearly 75% share by cartage and a whopping 92% share by pieces.

1.1.2 Diamond Cutting & Polishing Industry and Social Development

Diamond business across the globe has been always in critics by legal authorities, NGOs, human rights and for various unfair practices followed by the industry. Diamond industry had been always being the poppet of richest people around the world and they all were profit centric as well as self-centered. But this approach is being faded over the couple of decades since nations have acknowledged the need and significance of CSR. According to World Business Council for Sustainable Development, 2001, CSR is "the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities". Today, the major projects that are being running on CSR ground by diamond cutting firms include campaign for ethical mining & diamond trade, promoting fair wage, restricting child labor in mine, ensuring employees' rights, safety & health, gender equality etc.

1.1.3 CSR and India

Corporate social responsibility is a form of corporate self-

regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms (Wikipedia, 2016). CSR strategies inspire companies to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. Adding to these philosophies, Mallenbaker (2005) defines CSR as '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'. Today India is considered to be one among the top Asian countries as far as CSR are concerned. In 2009, India ranked fourth among Asian countries surveyed by ASR (Asian Sustainability Ranking). On individual level also, there are four Indians out of '48 Heroes of Philanthropy' according to 2009 and 2010 list of Forbes Asia (The Hindu dated March 5, 2010).

1.2 Literature Review

Diamond cutting industry has achieved significant reputation in CSR practices and approach. The industry has well understood the role of CSR in today's business world. Being a socially responsible company undoubtedly enjoy consumers' favoritism in the market. According to Ali, Imran (2011), CSR has significant influence on corporate image and customer purchase intention. It gives competitive advantage to the firm and increase corporate reputation. According to Kausiki Darbha, G. Srikanth (2004) the world's diamond leader De Beers involved in varieties of CSR activities to promote ethical practices to be followed by diamond mining and cutting companies, ethical retailing and so on.

Simoni, Christian and Samuel Rabino (2010), stated that the marketing style of foreign gems & jewelry firms' is unique and concentrates on both the aspects of business one is professional and social. Adding to this approach, Gitanjali gems has detailed discussion in its annual report (2015) on how the firm performs its CSR activities and in what ways their corporate governance practice is a part of CSR. Indian diamond industry has become a symbol of ethical trade practices and a socially responsible entity before the world. Various empirical researches including Carroll's (1991) & Burke and Logsdon (1996) investigated the relation between direct and indirect CSR activities. With the help of research result it was concluded that activities which are directly related to core business is called core CSR, whereas activities which are not directly related can be said supplementary CSR. Core CSR policies are economic, legal and ethical, and philanthropic actions

that are directly associated with the core business of the firm and expected to enhance financial performance in the long term, while Supplementary CSR include philanthropic policies not associated with the main business of the firm, and their effects are predicted to depend on their relationship with Core CSR.

According to the CSR report of Letseng Diamonds (2016), the firm corporate strategy integrates social responsibility as one of the essential business objective to be achieved. Company is committed to adopt and embraces the principles of CSR and Investment. This approach enables the firm to operate firm's core business functions while securing the society interest including social, economic and environmental consideration. Rubel Menache Diamataires (2013) in its published report acknowledged the social contribution made by the company. To support society to withstand with global growth rate and economic development the report reveals that various firms in Surat Gujrat have set up hundreds of units in tribal areas like Jhankhvav, Mandvi, Vankal, Ahwa, Dang and border villages of Nandurbar in Maharashtra and Vansda, employing tribal, including women from these areas.

1.3 Methodology

The study is basically descriptive cum empirical in nature based on primary data to achieve research objectives. The target respondents of the study are employees working in diamond cutting companies. The sample has been collected from Rosy Blue, Shairu Gems, Diamond Crystal Ptv. Ltd and B Arun Kumar Diamond Factory. Total 400 responses have been collected with the help of structured questionnaire. The questionnaire was divided into three sections where each section was designated for specific CSR activities. Respondents were asked whether these activities are there in their company or not? How they are getting benefited out of these activities.

1.4 Research Objectives

- 1. To study the firms' behavior and approach towards CSR.
- 2. To study the employees' perception and experience for firm's CSR practices.
- 3. To analyze the firms' contribution for socio-economic development of the society.

1.5 Research Hypotheses

H01: There is no significant difference between perception and experience of employees with respect to CSR practices being followed by diamond cutting & polishing firms.

1.6 Result Analysis and Discussion

To test the data and fulfills research objective the study used 'Paired Sample t test' to study difference in perception and experience of respondents with respect to CSR practices.

Table 1: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Perception	3.6165	300	.51533	.02975
	Experience	3.5687	300	.50699	.02927

Table 2: Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Perception - Experience	.01687	.23923	.01381	-.00731	.04706	1.439	299	.151

The Null hypothesis H01 stand accepted at 5% level of significance.

The assumption of no significant difference in perception and experience exists as the sig. value is found 0.151 > 0.05. The hypothetical assumption do exist and prove that respondents do not differ in their perception & experience for CSR practices being followed by diamond cutting & polishing firms. The statistical result proves that diamond cutting firms are meeting stipulated requirements of CSR for social development and overall growth of

the company and the country at large. Also, these firms are contributing and sharing valuable resources with society for societal betterment and economic upliftment.

1.7 Conclusion

The study concludes that diamond cutting firms are socially responsible and operational. Significant efforts are being made by these firms to behave socially and work ethically. The prime areas where these firms are working to meet their CSR requirements are identified as 'Corporate Governance, Good Employee Policies, Policies for Environmental Concern & Policies for Social Concern'. These four factors are identified as the thrust area where these firms are active and working continuously with full interest and efforts. The research also concludes that the scope of corporate social responsibility is very bright as the firms have understood the significance of CSR for business sustenance and long term association of society with business. The diffusion of CSR concept shows that corporate involvement in society building is a wide spread strategy where responsibility is shared between so many people to bring advanced development.

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