

# **AN EMPIRICAL STUDY OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIA IN CHANGING GLOBAL SCENARIO AND ITS' IMPACT ON COMPANIES' PROFITABILITY**

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## **ABSTRACT**

Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Indian companies are now expected to discharge their stakeholders responsibilities and societal obligations, along with their shareholders wealth maximization goal.

**Key words:** CSR, Benefits, India and CSR, Treasure chests, multi-stakeholder.

## **INTRODUCTION:**

### **CONCEPT OF CSR**

Corporate Social Responsibility is a growing and important part of an organization's overall strategy. The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility. It is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is a concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. It is represented by contributions undertaken by companies to society through its business activities and social investment. CSR is also linked with the principal of sustainability, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long term social and environmental consequences of their activities.

### **OBJECTIVES OF THE STUDY**

The objectives of a study provide a definite and proper track for any research activity. To make the present study more scientific following objectives are designed by the researcher:

1. To study the various theories and guidelines for CSR practices at national as well as international level.
2. To study the CSR practices as per GRI (Global Reporting Initiative) guidelines being taken by public sector and private sector companies.
3. To analyze the effect of CSR practices on profitability of the selected companies

## **BENEFITS OF CSR**

Now, business houses have realized that CSR is one of the important ways in which an organization can distinguish itself from its competitors. Some benefits of CSR are as follows:

### **Benefits to the Company:**

1. Improved financial performance
2. Lower operating costs
3. Product safety and decreased liability
4. Workforce diversity
5. Access to capital
6. Reduced regulatory oversight
7. More ability to attract and retain employees
8. Greater productivity and quality
9. Increased sales and customer loyalty
10. Enhanced brand image and reputation

### **Benefits to the Community and the General Public**

1. Corporate involvement in community education, employment and homelessness programmes
2. Product Safety and quality
3. Charitable contributions
4. Employee volunteer programmes

### **Environmental Benefits**

1. Greater material recyclability
2. Greater use of renewable resources
3. Better product durability and functionality
4. Integration of environmental management tools into business plans

## **INDIA AND CSR**

CSR is not new to India. Development of CSR can be traced back in different phases which are as follows:

The first phase of CSR was predominantly determined by culture, religion, family tradition and industrialization. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices, especially in community development. In the pre-industrial period up to the 1850s, merchants committed themselves for the religious reasons, sharing their wealth, for instance, by building temples. Moreover, "the business community occupied a significant place in ancient India and the merchants provided relief in times of crisis such as famine or epidemics by opening go-downs of food and treasure chests" (Arora, 2004).

The second phase of Indian CSR (1914-1960) was dominated by country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship, which aimed to consolidate and

amplify social development. During this period, Indian businesses actively engaged in the reform process. Not only the companies saw the country's economic development as a protest against colonial rule; but also they participated in its institutional and social development (India Partnership Forum 2002).

The paradigm of the "mixed economy", with the emergence of PSU s and ample legislation on labour and environment standards, affected the third phase of Indian CSR (1960-1980). This phase was also characterized by shift from corporate self regulation to strict legal and public regulation of business activities. In this scenario, the public sector was seen as the prime mover of development.

In the fourth phase (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and to some extent integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach.

In the 1990s, the Indian government initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the "mixed economy" and tried to integrate India into the global market.

## CONCLUSION

Indian companies are now expected to discharge their stakeholders responsibilities and societal obligations, along with their shareholders wealth maximization goal. In India as in the rest of the world there is a growing realization that business cannot succeed which fails in a society. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status.

Nowadays, India has been named among the countries paying increasing importance towards Corporate Social Responsibility (CSR) disclosure norms. Besides the public sector companies, it is the private sector companies that played dominant role in CSR activities.

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